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Transcript Exhibit(s)

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Arizona Corporation Commission

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BEFORE THE ARIZONA CORPORATION COMMISSION

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Commissioner

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-02113A-07-0551
CHAPARRAL CITY WATER COMPANY, INC.,)
AN ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE FAIR VALUE OF ITS)
UTILITY PLANT AND PROPERTY AND FOR)
INCREASES IN ITS RATES AND CHARGES FOR)
UTILITY SERVICE BASED THEREON.)
_____)

DIRECT

TESTIMONY

OF

MARLIN SCOTT, JR

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

OCTOBER 3, 2008

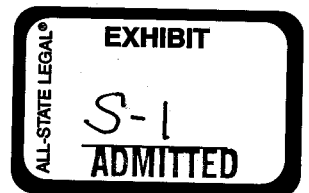


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**EXECUTIVE SUMMARY
CHAPARRAL CITY WATER COMPANY
DOCKET NO. W-02113A-07-0551**

CONCLUSIONS

- A. The Chaparral City Water Company ("Company") water system's current source and storage capacity are adequate to serve the present customer base and reasonable growth.
- B. The Maricopa County Environmental Service Department has reported no major deficiencies and has determined that the Company's system, PWS #07-017, is currently delivering water that meets water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4.
- C. The Company is located in the Arizona Department of Water Resources' ("ADWR") Phoenix Active Management Area and ADWR has reported that the Company is in compliance with its requirements governing water providers and/or community water systems.
- D. The Company has no delinquent Arizona Corporation Commission compliance issues.
- E. The Company has an approved curtailment tariff that became effective on October 1, 2005.
- F. The Company has an approved backflow prevention tariff that became effective on October 1, 2005.

RECOMMENDATIONS

- 1. The Company is aware of its 15.9% water loss amount and believes the Central Arizona Project's ("CAP") intake meter is not accurately registering. For this reason, the Company will be installing its own CAP water meter at its Shea Water Treatment Plant.

Staff recommends that after the Company completes its own CAP water meter installation, the Company should begin a 12-month monitoring exercise of its water system. Staff further recommends that the Company docket the results of the system monitoring as a compliance item in this case by November 1, 2009. If the reported water loss for the period from October 1, 2008 through October 1, 2009, is greater than 10%, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10% or less. If the Company believes it is not cost effective to reduce water loss to less than 10%, it should submit a detailed cost benefit analysis to support its opinion. This report shall be docketed as a compliance item for this proceeding for review and certification by Staff. The above report or cost benefit analysis, if required, shall be docketed by December 31, 2009. In no case shall water loss be allowed to remain at 15% or greater.

2. Staff recommends its average annual cost of \$25,638 be adopted for the water testing expense in this proceeding.
3. Staff recommends its adjusted Original Cost value of \$48,972,590 and Reproduction Cost New value of \$76,031,428 be used as a guideline for purposes of setting rates in this proceeding.
4. Staff recommends that approximately half of the requested CAP Water allocation of 966 acre-feet per year be considered used and useful.
5. Staff recommends that the Company continue to use Staff's depreciation rates by individual National Association of Regulatory Utility Commissioners.
6. Staff recommends that the Company continue to use its unchanged service line and meter installation charges.

1 **INTRODUCTION**

2 **Q. Please state your name, place of employment and job title.**

3 A. My name is Marlin Scott, Jr. My place of employment is the Arizona Corporation
4 Commission ("Commission"), Utilities Division, 1200 West Washington Street, Phoenix,
5 Arizona 85007. My job title is Utilities Engineer.

6
7 **Q. How long have you been employed by the Commission?**

8 A. I have been employed by the Commission since November 1987.

9
10 **Q. Please list your duties and responsibilities.**

11 A. As a Utilities Engineer, specializing in water and wastewater engineering, my
12 responsibilities include: the inspection, investigation, and evaluation of water and
13 wastewater systems; preparing reconstruction cost new and/or original cost studies, cost of
14 service studies and investigative reports; providing technical recommendations and
15 suggesting corrective action for water and wastewater systems; and providing written and
16 oral testimony on rate applications and other cases before the Commission.

17
18 **Q. How many cases have you analyzed for the Utilities Division?**

19 A. I have analyzed approximately 510 cases covering various responsibilities for the Utilities
20 Division.

21
22 **Q. Have you previously testified before this Commission?**

23 A. Yes, I have testified in 71 proceedings before this Commission.

1 **Q. What is your educational background?**

2 A. I graduated from Northern Arizona University in 1984 with a Bachelor of Science degree
3 in Civil Engineering Technology.

4
5 **Q. Briefly describe your pertinent work experience.**

6 A. Prior to my employment with the Commission, I was Assistant Engineer for the City of
7 Winslow, Arizona, for about two years. Prior to that, I was a Civil Engineering
8 Technician with the U.S. Public Health Service in Winslow for approximately six years.

9
10 **Q. Please state your professional membership, registrations, and licenses.**

11 A. I am a member of the National Association of Regulatory Utility Commissioners' Staff
12 Subcommittee on Water.

13
14 **PURPOSE OF TESTIMONY**

15 **Q. Were you assigned to provide Utilities Division Staff's ("Staff") engineering analysis**
16 **and recommendation for the Chaparral City Water Company ("Company") in this**
17 **proceeding?**

18 A. Yes. I reviewed the Company's application, reviewed responses to data requests, and
19 inspected the water system on April 3, 2008. This testimony and its attachment present
20 Staff's engineering evaluation.

21
22 **ENGINEERING REPORT**

23 **Q. Please describe the attached Engineering Report, Exhibit MSJ.**

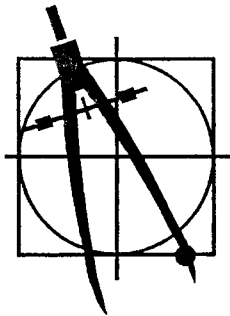
24 A. Exhibit MSJ presents the details and analyses of Staff's findings, and is attached to this
25 direct testimony. Exhibit MSJ contains the following major topics: (1) a description of
26 the water system and the processes, (2) water use, (3) growth, (4) compliance with the

1 rules of the Maricopa County Environmental Services Department, Arizona Department of
2 Water Resources, and the Arizona Corporation Commission, (5) reproduction cost new,
3 (6) Central Arizona Project Water allocation, (7) depreciation rates, (8) service line and
4 meter installation charges, (9) curtailment plan tariff, and (10) backflow prevention tariff.

5
6 My conclusions and recommendations from the Engineering Report are contained in the
7 "EXECUTIVE SUMMARY", above.

8
9 **Q. Does this conclude your direct testimony?**

10 **A. Yes, it does.**



**Engineering Report
For
Chaparral City Water Company
Docket No. W-02113A-07-0551 (Rates)**

September 19, 2008

A. LOCATION OF CHAPARRAL CITY WATER COMPANY ("COMPANY")

The Company serves the Town of Fountain Hills which is located along the eastern city limits of Scottsdale. Figure A-1 shows the location of the Company within Maricopa County and Figure A-2 shows the approximate 21 square-miles of certificated area.

B. DESCRIPTION OF WATER SYSTEM

The water system was field inspected on April 3, 2008, by Arizona Corporation Commission ("ACC" or "Commission") Staff members, Marlin Scott, Jr., Dorothy Hains, Marvin Millsap, and Darak Eaddy, in the accompaniment of Robert Hanford, James Moore, and William Vernon, representing the Company.

The operation of the water system consists of a Central Arizona Project ("CAP") water treatment plant ("WTP"), two wells, nine storage tanks, seven booster stations and a distribution system, with four pressure zones, serving approximately 13,345 customers during the test year ending December 31, 2006. A system schematic is shown in Figure B-1 with detailed plant facility descriptions as follows:

Table 1. CAP Water Canal and Treatment Plant

Name or Description	Plant Items	Location
Canal pumping station & intake	3 each, 450-Hp vertical turbine booster pumps (1 pump @3,000 GPM, 2 pumps @ 6,200 GPM, and 3 pumps @ 8,500 GPM), 10,000 gallon surge tank, 24-inch meter [GPM = gallons per minute]	Shea Blvd./122nd St.
Raw CAP Water Storage Tank	3.5 million gallons	Shea WTP

Treatment Plant 2	15 MGD plant – chemical injections, clarifiers, filters, clearwell, wetwell	Shea WTP
-------------------	---	----------

In the prior rate case with a Test Year ending December 31, 2003, the Company operated the Shea WTP #1, a 3 million gallon per day surface water treatment plant. According to the Company, this Shea WTP #1 was taken out-of-service in 2003 and will not be placed back into service. (See Section H of this report for Staff's adjustments to the plant-in-service.)

Table 2. Well Data

Well Name Or #	ADWR ID No.	Pump HP	Pump GPM	Casing Size & Depth	Meter Size
#10	55-604786	350 - Turbine	1,700	20/16" x 450/288'	10"
#11	55-604787	250 - Submersible	1,100	20/16" x 300/468'	10"
		TOTAL:	2,800 GPM		

Table 3. Storage Tanks

Capacity Million Gallons (MG)	Quantity (Each)	Location
3.5	1	@ Shea WTP for raw CAP water
1.5	1	@ Lotus
1.25	4	@ Fountain Hills, Mayan, Eagle Ridge & Crestview
500,000 gal.	3	@Blackbird, Golden Eagle & Eagle Nest
Totals: 11.5 MG	9	

Table 4. Booster Systems

Location	Plant Facilities	Storage Tanks (From in Table 3)
Blackbird	40 & 60-Hp VT booster pumps	500,000 gal. storage tank
(Reservoir No. 1)	15,000 gal. pressure tank	
Fountain Hills	75-Hp VT booster pump	1.25 MG storage tank
(Reservoir No. 2)	100-Hp VT booster pump	
	10,000 gallon pressure tank	
Lotus	40 & 60-Hp VT booster pumps	1.5 MG storage tank
(Reservoir No. 3)	1,000 gal. Pressure tank	
Golden Eagle	Two 125-Hp VT booster pumps	500,000 gal. storage tank
(Reservoir No. 4)		
Mayan	Two 75-Hp VT booster pumps	1.25 MG storage tank
(Reservoir No. 5)	20-Hp VT booster pump	
	Two 125-Hp VT booster pumps	
	1,000 gal. & 5,000 gal. pressure tanks	
Eagle Ridge		1.25 MG storage tank
(Reservoir No. 6)		
Crestview	Two 75-Hp VT booster pumps	1.25 MG storage tank
(Reservoir No. 7)	Two 40-Hp VT booster pumps	
	2,000 gallon pressure tank	
Copperwynd	40-Hp VT booster pump	
(Booster Station No. 8)	Two 75-Hp VT booster pumps	
Eagle Nest		500,000 gal. storage tank
(Reservoir No. 8)		

Table 5. Water Mains

Diameter	Material	Length
4-inch	n/a	57,344 ft.
6-inch	n/a	488,610 ft.
8-inch	n/a	217,628 ft.
10-inch	n/a	4,050 ft.
12-inch	n/a	132,124 ft.
16-inch	n/a	30,045 ft.
18-inch	n/a	27,613 ft.
Total:		957,414 ft.

Table 6. Customer Meters

Size	Quantity
5/8 x 3/4-inch	-
3/4-inch	8,587
1-inch	4,382
1-1/2-inch	162
2-inch	163
3-inch compound	39
4-inch compound	9
6-inch compound	3
Total:	13,345

Table 7. Fire Hydrants

Size	Quantity
Standard	1,540

C. WATER USE

Water Sold

Based on the information provided by the Company, water use for the year 2006 is presented in Figure C-1. Customer consumption experienced a high monthly average water use

of 605 gallons per day ("GPD") per connection and a low monthly average water use of 326 GPD per connection for an average annual use of 432 GPD per connection.

Non-Account Water

Non-account water should be 10% or less. The Company reported 2,474,323,000 gallons pumped/purchased and 2,080,213,000 gallons sold, resulting in a water loss of 15.9%. The Company is aware of the percentage of the water loss amount and believes the CAP's intake meter is not accurately registering. For this reason, the Company will be installing its own CAP water meter at the Shea WTP by September 2008.

Staff recommends that after the Company completes its own CAP water meter installation, the Company should begin a 12-month monitoring exercise of its water system. Staff further recommends that the Company docket the results of the system monitoring as a compliance item in this case by November 1, 2009. If the reported water loss for the period from October 1, 2008 through October 1, 2009, is greater than 10%, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10% or less. If the Company believes it is not cost effective to reduce water loss to less than 10%, it should submit a detailed cost benefit analysis to support its opinion. This report shall be docketed as a compliance item for this proceeding for review and certification by Staff. The report or cost benefit analysis, if required, shall be docketed by December 31, 2009. In no case shall water loss be allowed to remain at 15% or greater.

System Analysis

The water system's current source capacity of 11,300 GPM and storage capacity of 11.5 million gallons is adequate to serve the present customer base and reasonable growth.

D. GROWTH

Figure D-1 depicts the customer growth using linear regression analysis. The number of service connections was obtained from annual reports submitted to the Commission. During the test year 2006, the Company had 13,345 customers and it is projected that the Company could have approximately 15,350 customers by December 2012.

E. MARICOPA COUNTY ENVIRONMENTAL SERVICES DEPARTMENT ("MCESD") COMPLIANCE

Compliance

On May 1, 2008, MCESD reported the Company's system, PWS #07-017, had no major deficiencies and based on data submitted to MCESD; MCESD has determined that this system is currently delivering water that meets water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4.

Water Testing Expense

The Company reported its water testing expense at \$43,458 for the 2006 test year. Staff has reviewed the Company's reported amount and has made certain adjustments to determine Staff's average annual cost of \$25,638 as shown in Table E-1. Staff's major adjustment relates to the disallowance of testing costs to the Shea water treatment plant #1 that is no longer in service. The Company also did not annualize its testing cost. Staff recommends its average annual cost of \$25,638 be adopted for this proceeding.

F. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

The Company is located in the Phoenix Active Management Area ("AMA"). According to ADWR, ADWR has reported that the Company is in compliance with its requirements governing water providers and/or community water systems.

G. ARIZONA CORPORATION COMMISSION COMPLIANCE

According to the Utilities Division Compliance Section, the Company had no delinquent ACC compliance issues.

H. REPRODUCTION COST NEW AND ORIGINAL COST

The Company submitted a trended reconstruction cost new plant asset listing for the year ending December 31, 2006. Although the Company labeled its trended plant asset listing as "reconstruction", the actual method used was "reproduction", i.e., reproducing Original Cost ("OC") values using trend factors to estimate the Reproduction Cost New ("RCN") values. This OC/RCN exercise reported an OC plant-in-service value of \$51,053,251 and a RCN plant-in-service value of \$79,791,438. Staff has reviewed the Company's OC and RCN values and recommends that these values be accepted with the following adjustments:

Staff's Adjustment #1 – Used and Useful Plant

Through the field inspection and data requests, Staff considered eight plant asset items not used and useful. Staff removed the following plant items from the OC and RCN listings:

Table 8. Plant Not Used and Useful

Acct. No.	Plant item	Acquisition Date	OC	RCN
304	Well #9 - Install exhaust fan	31-Aug-99	595	797
307	Well #8 1971	31-Jan-71	49,329	214,695
307	Well #9 1972	31-Jan-72	54,139	220,589
307	ENGINE WELL	31-Dec-86	3,348	5,388
320	CAP Plant #1 - Plant 1986	31-Dec-86	1,320,562	2,179,720
320	CAP Plant #1 - Treatment equip. 1987	31-Dec-87	288,612	465,965
320	CAP Plant #1 - Treatment equip. 1989	31-Jan-89	397,339	610,432
320	CAP Plant #1 - Treatment equip. 1989	31-Dec-89	4,409	6,774
	Total:		2,118,334	3,704,360

Staff's Adjustment #2 – Reclassification of Plant

Through the review of the RCN asset listing and data requests, Staff reclassified 42 plant asset items (that included recalculation of the RCN values using the reclassified trending factors) from the OC and RCN listings:

Table 9. Plant Reclassification

Acct. No.	Plant item	Acquisit. Date	OC	Trend Source	n base	n factor	RCN
311	From Acct. 307 to: Well #11 – 250 Hp sub.	30-Sep-96	65,622	HW155	619	450	90,267
320	From Acct. 348 to: Water treatment study	2004	34,063	HW155	444	416	36,356
331	From Acct. 330 to: 16" Trans Main	30-Sep-05	1,381,264	HW155	420	392	1,479,926
331	FH Blvd transmiss. main	14-Aug-06	121,156	HW155	420	420	121,156
333	From Acct. 330 to: Wtr svc @ 15038 escab.	31-Oct-96	1,203	HW155	362	263	1,656
333	Wtr svc @ 16637 almont	31-Oct-96	1,309	HW155	362	263	1,802
333	Wtr svc @ twm ctr	31-Oct-96	1,309	HW155	362	263	1,802
333	Wtr svc @ 16353 e. row	31-Oct-96	1,113	HW155	362	263	1,532
333	Wtr svc @ 13804 sguaro	31-Oct-96	1,264	HW155	362	263	1,740
333	Wtr svc @ 13804 sguaro	31-Oct-96	1,301	HW155	362	263	1,791
333	Wtr svc @ 16850 Nicklus	31-Oct-96	1,353	HW155	362	263	1,862
333	Wtr svc @ 15361 G/eagle	31-Oct-96	1,203	HW155	362	263	1,656
333	Wtr svc @ 14213 anguilar	31-Oct-96	1,513	HW155	362	263	2,082
333	Wtr svc @ 14226 anguilar	31-Oct-96	1,407	HW155	362	263	1,937
333	Wtr svc @ Jiffy lub ctr	31-Oct-96	1,407	HW155	362	263	1,937
333	Wtr svc @ 16418 desert	30-Nov-96	1,097	HW155	362	263	1,510
333	Wtr svc @ 13221 wendov	30-Nov-96	1,203	HW155	362	263	1,656
333	Wtr svc @ 11015 inca	30-Nov-96	1,293	HW155	362	263	1,780
333	Wtr svc @ 11449 inca	30-Nov-96	1,203	HW155	362	263	1,656
333	Wtr svc @ LA Fuente apt	30-Nov-96	1,896	HW155	362	263	2,610
333	Wtr svc @ 12271 Chama	30-Nov-96	1,203	HW155	362	263	1,656
333	Wtr svc @ 16439 Nicklau	30-Nov-96	1,353	HW155	362	263	1,862
333	Wtr svc @ 17426 Calico	30-Nov-96	1,097	HW155	362	263	1,510
333	Wtr svc @ 11214 Prtridge	30-Nov-96	1,118	HW155	362	263	1,539
333	Wtr svc @ 14218 Saguaro	30-Nov-96	1,248	HW155	362	263	1,718
333	Wtr svc @ 16932 Parlin	30-Nov-96	1,052	HW155	362	263	1,448
333	Wtr svc @ Plat 202	30-Nov-96	17,773	HW155	362	263	24,463
333	Wtr svc @ 16629 Almont	30-Nov-96	1,422	HW155	362	263	1,957
333	Wtr svc @ Almont dr (2)	30-Nov-96	1,354	HW155	362	263	1,864
333	Wtr svc @ El Pueblo (2)	30-Nov-96	1,354	HW155	362	263	1,864
333	Wtr svc @ 17303 el pueblo	30-Nov-96	1,203	HW155	362	263	1,656
333	Wtr svc @ 17252 el pueblo	30-Nov-96	946	HW155	362	263	1,302
333	Wtr svc @ 12031 Lamont	30-Nov-96	1,203	HW155	362	263	1,656
333	Wtr svc @ 16069 Glenbrk	30-Nov-96	1,602	HW155	362	263	2,205
333	Wtr svc @ 17005 Enterprise	30-Nov-96	1,203	HW155	362	263	1,656
333	Install copper serv	31-Dec-96	39,965	HW155	362	263	55,007
333	Install copper serv	31-Dec-96	42,556	HW155	362	263	58,574
333	From Acct. 334 to: Service Line 1994	26-Oct-94	12,481	HW155	362	255	17,718
334	From Acct. 330 to: Meter installation	31-Jan-73	23,674	HW155	428	297	34,116

	From Accts; 311 & 333 to:						
335	Fire Hydrant & DIP	31-Mar-05	10,368	HW155	610	564	11,214
335	Install hydrant 1996	31-Dec-96	42,984	HW155	610	394	66,548
	From Acct. 333 to:						
340	Chairs (5) & Conf. Room	31-Dec-93	1,814	CPI	202.6	144.5	2,543

Staff's Adjustment #3 – Capitalization of Expenditures

Staff capitalized six outside service expenditure items that were included in the OC and RCN listings:

Table 10. Capitalization of Expenditures

Acct. No.	Plant item	Acquisit. Date	OC	Trend Source	n base	n factor	RCN
304	New irrigation installation	2006	2,500	HW155	434	434	2,500
304	Installation of 30'x6' fencing	2006	4,375	HW155	434	434	4,375
304	Professional survey for fencing	2006	4,715	HW155	434	434	4,715
	304 Total:		11,590				11,590
311	Recondition motor	2006	7,448	HW155	619	619	7,448
311	Removal & repair pump	2006	5,513	HW155	619	619	5,513
311	Removal & repair motor/pump	2006	13,123	HW155	619	619	13,123
	311 Total:		26,084				26,084
	TOTAL:		\$37,674				\$37,674

Staff's Adjustment to the Plant-in-Service

Based on Staff's above adjustments to the Company's OC and RCN plant-in-service values, Staff recommends the following OC and RCN plant-in-service values be used as a guideline for purposes of setting rates in this proceeding:

Table 11. Staff's Adjustment to Plant-in-Service

Acct. No.	Descriptions	Company's Plant-in-Service		Staff's Recommended Plant-in-Service	
		OC	RCN	OC	RCN
303	Land & Land Rights	271,857	271,857	271,857	271,857
304	Structures & Improvements	1,518,648	1,965,394	1,529,643	1,976,187
307	Wells	332,065	908,287	159,627	380,043
311	Pumping Equipment	1,506,908	3,160,902	1,588,245	3,266,628
320	Water Treatment Equipment	7,763,500	9,969,130	5,786,640	6,742,594
330	Distribution Reservoirs	8,176,967	13,002,689	6,512,148	11,070,393
331	Trans. & Distribution Mains	17,450,634	31,920,448	18,953,054	33,521,530
333	Services	7,389,930	9,304,078	7,496,338	9,450,989
334	Meters	2,725,673	3,981,833	2,736,866	3,998,143
335	Hydrants	1,171,633	2,192,853	1,224,985	2,270,616
339	Other Plant & Misc. Equip.	1,717,230	1,814,021	1,717,230	1,814,021
340	Office Furniture & Equip.	270,358	349,449	272,172	351,993
341	Transportation Equipment	535,315	663,541	535,315	663,541
343	Tools, Shop & Garage Equip.	149,365	195,755	149,365	195,755
346	Communication Equipment	39,105	57,138	39,105	57,138
348	Other Tangible Plant	34,063	34,063	0	0
	Totals:	\$51,053,251	\$79,791,438	\$48,972,590	\$76,031,428

I. ACQUISITION OF ADDITIONAL CAP WATER ALLOCATION

Background

In 1983, the Secretary of the Interior released its decision regarding the final allocation of CAP Water. Under that decision, 638,823 acre-feet of the annual water supply was allocated to municipal and industrial ("M&I") users. However, some entities that were allocated M&I water declined to enter into a subcontract, leaving a total of 80,312 acre-feet of the M&I supply available for reallocation. Of this amount, 14,665 acre-feet was reassigned due to the Indian Tribe Water Rights Settlement Act of 1992, resulting in 65,647 acre-feet of water being available for reallocation of CAP M&I water users.

In 1994, the ADWR initiated a process to develop a recommended reallocation for the 65,647 acre-feet of uncontracted M&I CAP Water. The ADWR solicited applications and a total of 53 entities applied, requesting more than 350,000 acre-feet of water. Using a selected methodology, the ADWR selected 26 applicants that allocated a portion of the 65,647 acre-feet of CAP water. Using this methodology, ADWR apportioned the water to provide a dependable water supply by using a demand rate which reflects the maximum use rates set by the Second Management Plan in the AMAs through the year 2023. However, the process was never

completed due to an intervening lawsuit between the U.S. Bureau of Reclamation and the Central Arizona Water Conservation District ("CAWCD") regarding the CAWCD's repayment obligation for the CAP.

In 1999, after a five year delay, the ADWR reinitiated the reallocation process. Using the same basic methodology that was used to generate the 1994 allocation, the ADWR regenerated the proportionate share of the 65,647 acre-feet relative to the population projections and water demand for the year 2040. However, because the total projected needs of the applicants were considerably greater than the supply, the total amount of water that could be allocated to any applicant was limited to 8,206 acre-feet or 12.5% of the total supply of 65,647 acre-feet.

Of the original 26 applicants considered in the reallocation process, some applicants had elected to not participate in the 1999 reallocation process. As a result, the ADWR made a reallocation recommendation for the remaining 20 applicants. The final recommendation regarding the reallocation of the 65,647 acre-feet of M&I CAP water included the Company receiving 1,931 acre-feet of additional CAP water.

Company's Additional CAP Water Allocation

In its rate application filing with a Test Year ending December 31, 2006, the Company stated that it will be purchasing by January 2008 an additional 1,931 acre-feet per year of CAP Water at a cost of \$1,280,000. The Company purchased this additional allocation in December 2007. The Company currently has a CAP Water allocation of 6,978 acre-feet per year. According to the Company, the additional CAP Water allocation is needed to, a) improve the long-term security of water supplies for its customers, 2) allow the Company to reinforce and continue its reliance on a renewable supply of surface water, and 3) the additional allocation will act as a drought buffer.

Staff has evaluated the additional CAP Water allocation to determine if the additional allocation is needed and if so, how much of the allocation would be needed. To assist in its evaluation, Staff produced Table I-2 and Figure I-1 to show the CAP Water Allocation and its projected use. The data in Table I-2 was taken from the Company's Annual Reports and used to depict the CAP Water purchased using linear regression analysis. Based on Figure I-1, it appears the current CAP Water allocation was exceeded in 2006 and that additional CAP Water is needed. Figure I-1 also shows that approximately half of the requested allocation (314.6 million gallons or 966 acre-feet per year) would be needed within a five-year period.

In Decision No. 68238, dated October 25, 2005, the Company was granted an Order Preliminary ("OP") for a Certificate of Convenience and Necessity ("CC&N") extension. In order to obtain a Final Order granting this CC&N extension, one of the requirements was for the Company to demonstrate sufficient water source capacity for its water system. The OP compliance requirements are due within a three-year timeframe, with a due date of October 25, 2008.

Based on the above discussion, approximately half of the requested CAP Water allocation of 966 acre-feet per year should be considered used and useful.

J. DEPRECIATION RATES

In the prior rate case, the Company adopted Staff's typical and customary depreciation rates. These rates are presented in Table J-1 and it is recommended that the Company continue to use these depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category.

K. SERVICE LINE AND METER INSTALLATION CHARGES

The Company requested no changes to its service line and meter installation charges. These unchanged installation charges are shown in Table K-1.

L. CURTAILMENT TARIFF

The Company has an approved curtailment tariff that became effective on October 1, 2005.

M. BACKFLOW PREVENTION TARIFF

The Company has an approved backflow prevention tariff that became effective on October 1, 2005.

FIGURES

Maricopa County Map	Figure A-1
Certificated Area	Figure A-2
System Schematic	Figure B-1
Water Use	Figure C-1
Growth	Figure D-1
CAP Water Allocation	Figure I-1

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Water Testing Cost	Table E-1
Water Pumped and Purchased	Table I-2
Depreciation Rates	Table J-1
Service Line and Meter Installation Charges	Table K-1

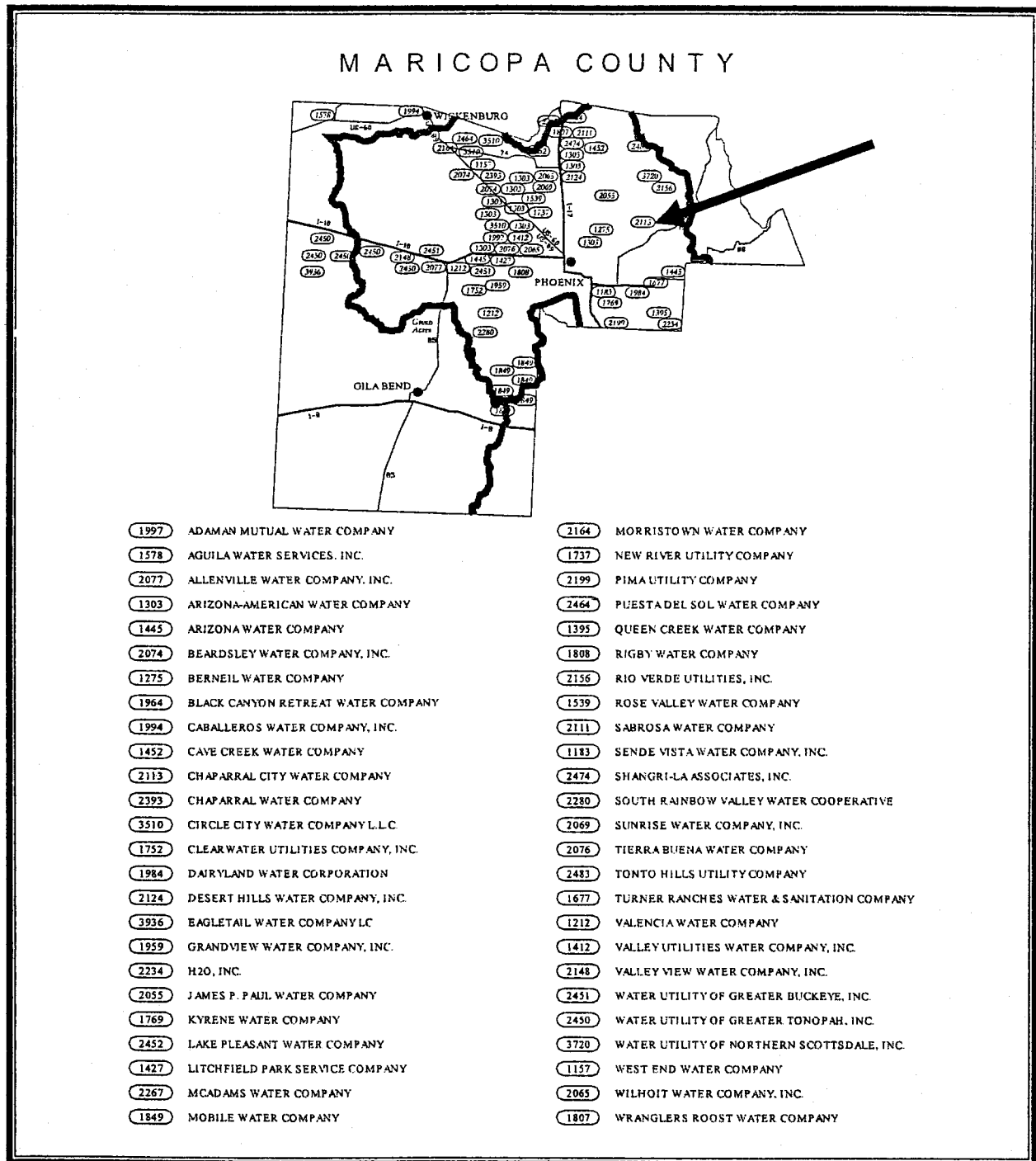


Figure A-1. Maricopa County Map

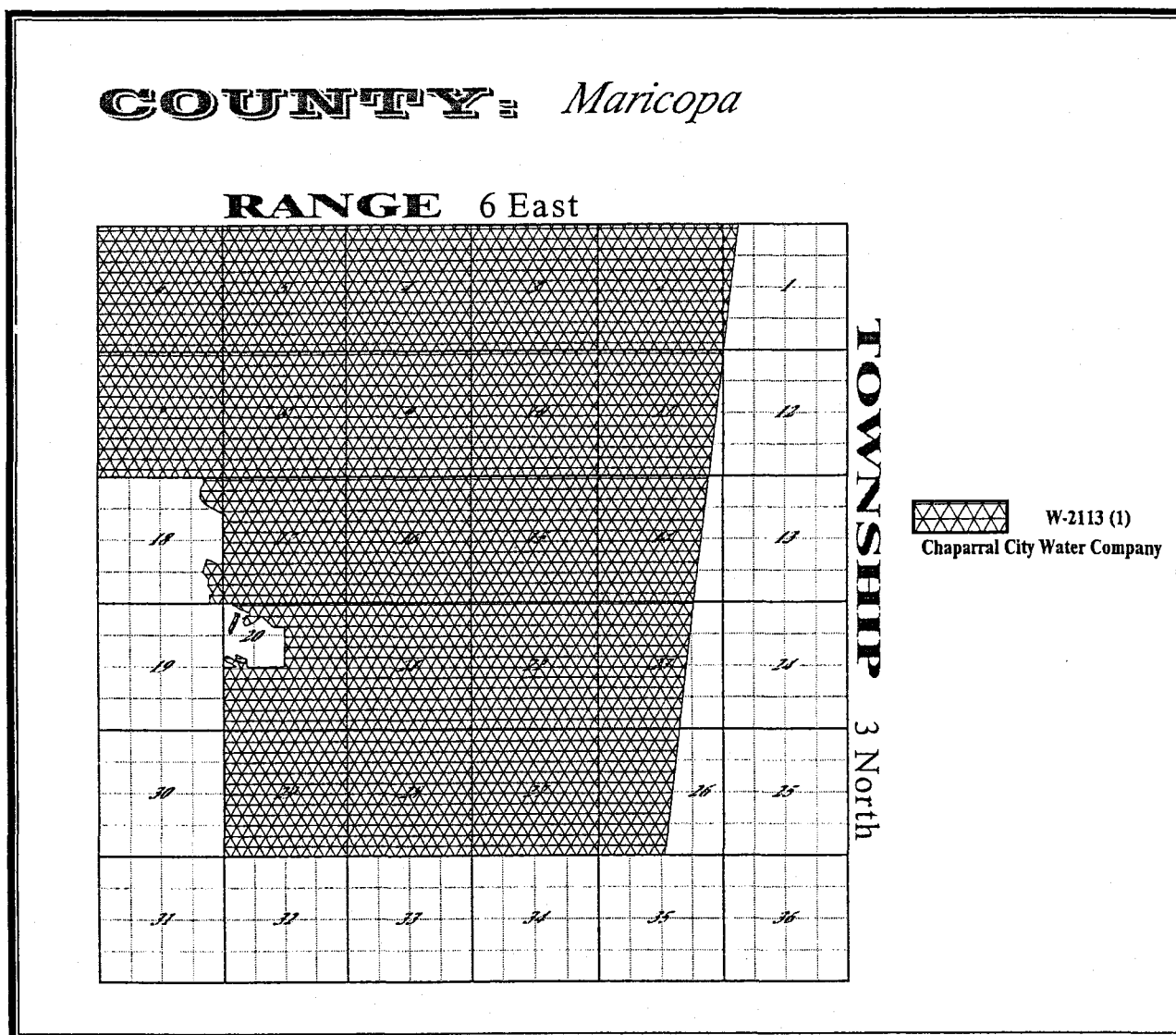
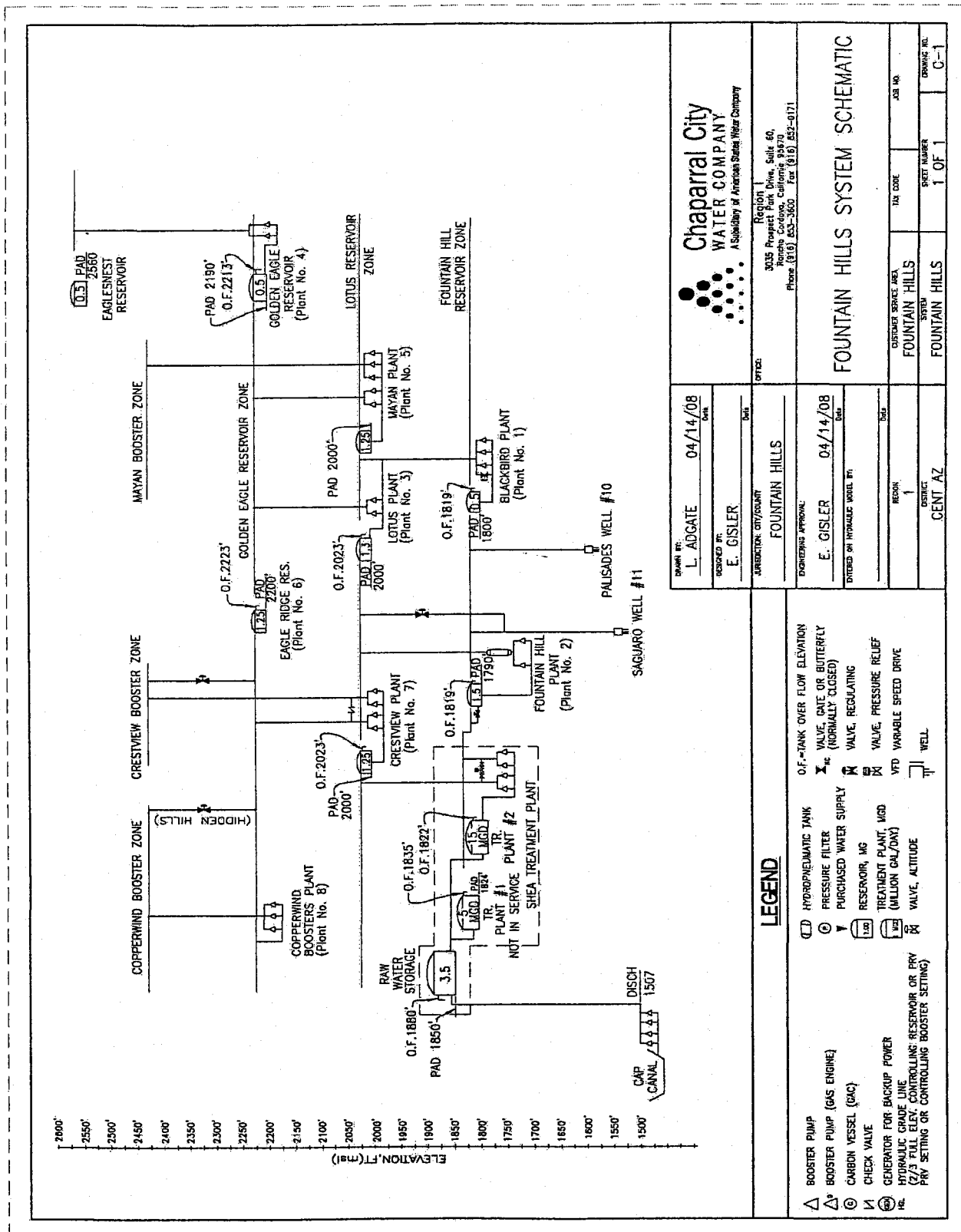


Figure A-2. Certificated Area



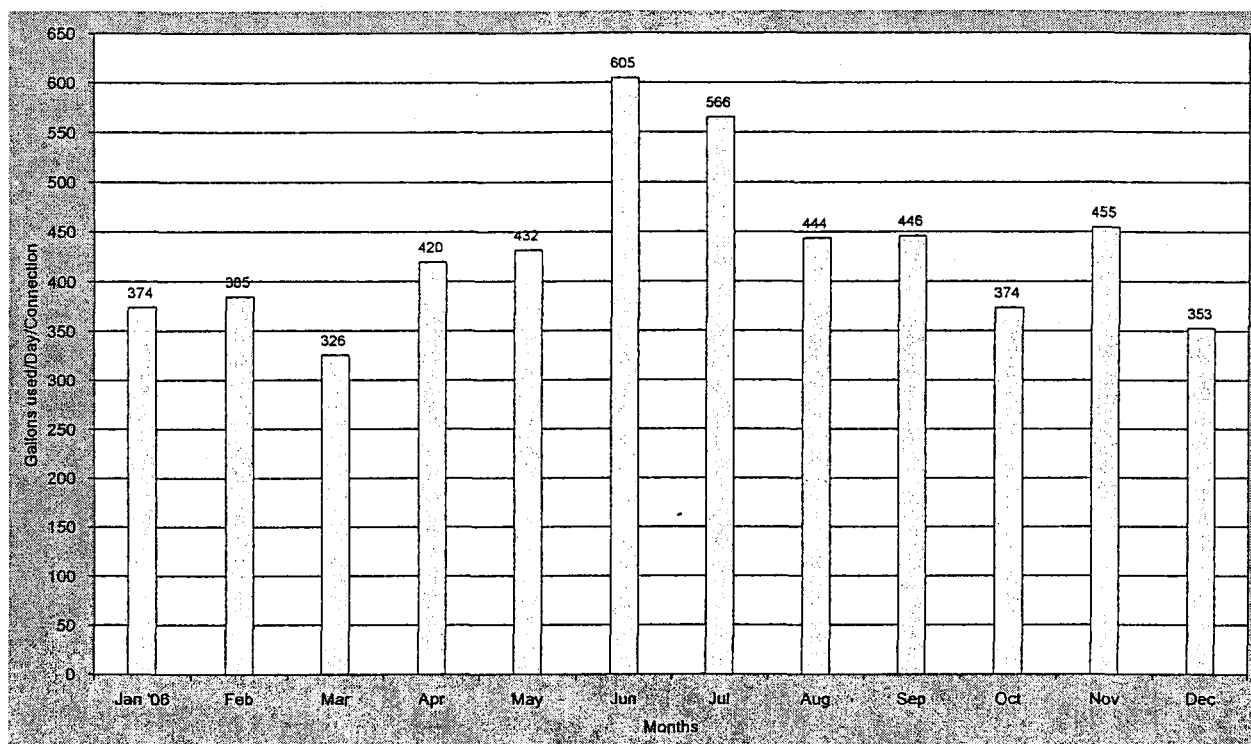


Figure C-1. Water Use

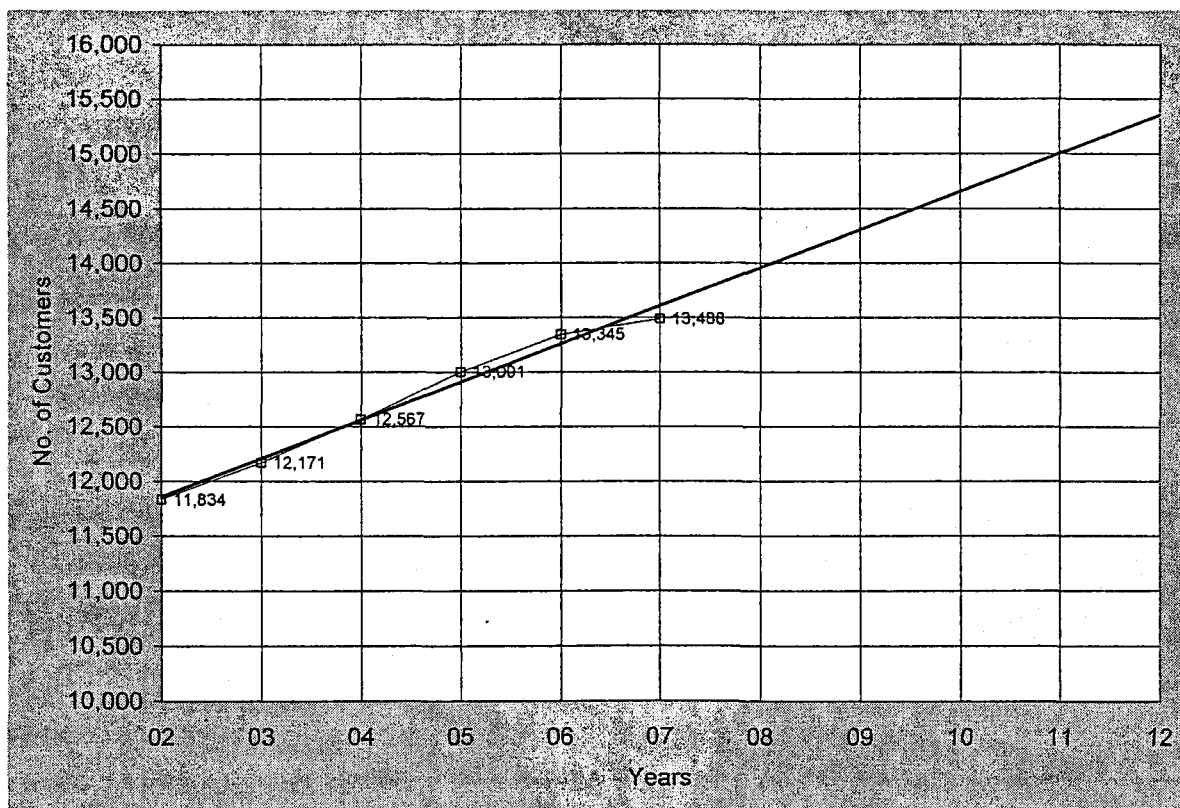


Figure D-1. Growth

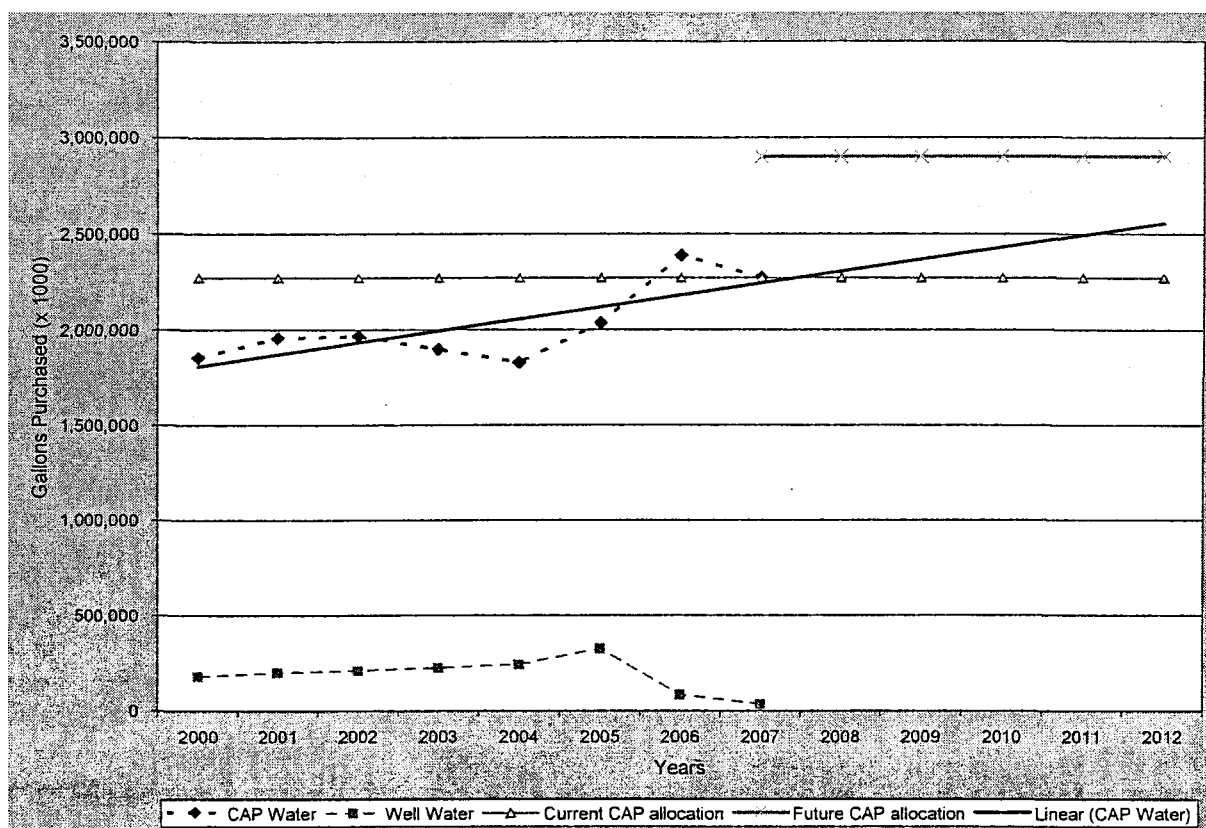


Figure I-1. CAP Water Allocation

Data from Company's Annual Reports							
Year	CAP WTP #1 (x 1000)	CAP WTP #2 (x 1000)	CAP Total (x 1000)	Wells (x 1000)	Total Pumped/ Purchased (x 1000)	Current CAP Allocation (x 1000 Gal.)	Future CAP Allocation (x 1000 Gal.)
2000	695,440	1,158,760	1,854,200	179,924	2,034,124	2,273,633	
2001	753,042	1,204,345	1,957,387	200,486	2,157,873	2,273,633	
2002	781,956	1,186,343	1,968,299	210,625	2,178,924	2,273,633	
2003			*1,898,900	*226,403		2,273,633	
2004	537,110	1,292,390	1,829,500	242,180	2,071,680	2,273,633	
2005		2,037,407	2,037,407	325,400	2,362,807	2,273,633	
2006		2,389,948	2,389,948	84,590	2,474,538	2,273,633	
2007		2,273,633	2,273,633	35,528	2,309,161	2,273,633	2,902,809
2008						2,273,633	2,902,809
2009						2,273,633	2,902,809
2010			* estimate			2,273,633	2,902,809
2011						2,273,633	2,902,809
2012						2,273,633	2,902,809

Table I-2 . Water Pumped & Purchased

Table E-1. Water Testing Cost

CHAPARRAL CITY WATER COMPANY					
Water Testing Cost for TY 2006					
Constituents	Frequency	No. of Samples	Cost per Sample	Total Cost	Average Annual Cost
CAP Intake (Raw)					
Total/Fecal Coliform	weekly	52	\$20	\$1,040	\$1,040
Giardia/Cryptosporidium	quarterly	4	\$0	\$0	\$0
TOC	monthly	12	\$35	\$420	\$420
Total Alkalinity	monthly	12	\$9	\$108	\$108
Perchlorate	monthly	12	\$45	\$540	\$540
Aluminum	quarterly	4	\$11	\$44	\$44
Others/IOC	3-years	1	\$0	\$0	\$0
Well #10 - Palisades (POE #003)					
IOCs	3-years	1	\$393	\$393	\$131
Asbestos	9 -years	1	\$108	\$108	\$12
Nitrate	quarterly	4	\$15	\$60	\$60
Nitrite	9-years	1	\$15	\$15	\$2
VOCs	3-years	1	\$90	\$90	\$30
SOCs	2 qtrs./3 yrs.	2	\$1,055	\$2,110	\$703
Radiochemical - G.A.	4 qtrs./4 yrs.	4	\$50	\$200	\$50
Sodium	3-years	1	\$11	\$11	\$4
Nickel	3-years	1	\$11	\$11	\$4
Unregulated (UCMR)	2 qtrs. In 2006	2	\$0	\$0	\$0
Total Coliform	monthly	12	\$18	\$216	\$216
Others/IOCs	3-years	1	\$0	\$0	\$0
Well #11 - Saguaro (POE #004)					
IOCs	3-years	1	\$393	\$393	\$131
Asbestos	9 -years	1	\$108	\$108	\$12
Nitrate	quarterly	4	\$15	\$60	\$60
Nitrite	9-years	1	\$15	\$15	\$2
VOCs	3-years	1	\$90	\$90	\$30
SOCs	2 qtrs./3 yrs.	2	\$0	\$0	\$0
Radiochemical - G.A.	4 qtrs./4 yrs.	4	\$50	\$200	\$50
Sodium	3-years	1	\$11	\$11	\$4
Nickel	3-years	1	\$11	\$11	\$4
Unregulated (UCMR)	2 qtrs. In 2006	2	\$0	\$0	\$0
Total Coliform	monthly	12	\$20	\$240	\$240
Others/IOCs	3-years	1	\$0	\$0	\$0
Shea SWTP #2 (POE #005)					
IOCs	yearly	1	\$393	\$393	\$393
Asbestos	9 years	1	\$108	\$108	\$12
Nitrate	quarterly	4	\$15	\$60	\$60

Nitrite	9 years	1	\$15	\$15	\$2
VOCs	yearly	1	\$90	\$90	\$90
SOCs	2 qtrs./3 yrs.	2	\$1,055	\$2,110	\$703
Radiochemical - G.A.	4 qtrs./4 yrs.	4	\$50	\$200	\$50
Sodium	yearly	1	\$11	\$11	\$11
Nickel	yearly	1	\$11	\$11	\$11
Unregulated (UCMR)	4 qtrs. In 2006	4	\$0	\$0	\$0
Giardia/Cryptosporidium	quarterly	4	\$0	\$0	\$0
Aluminum	monthly	12	\$11	\$132	\$132
Total alkalinity	monthly	12	\$9	\$108	\$108
Calcium	monthly	12	\$11	\$132	\$132
TOC	monthly	12	\$35	\$420	\$420
Perchlorate	monthly	12	\$45	\$540	\$540
Others/IOC	3-years	1	\$0	\$0	\$0
Distribution System					
Total Coliform	monthly	300	\$18	\$5,400	\$5,400
HAA5s	quarterly	48	\$85	\$4,080	\$4,080
TTHMs	quarterly	48	\$65	\$3,120	\$3,120
Lead & Copper	3-years	30	\$22	\$660	\$220
Asbestos	9 years	2	\$108	\$216	\$24
Shea SWTP WW Discharge					
IOCs	annual	1	\$0	\$0	\$0
VOCs	annual	1	\$90	\$90	\$90
SOCs	annual	1	\$1,055	\$1,055	\$1,055
Miscellaneous:					
Watertrax USA	annual	1	\$3,825	\$3,825	\$3,825
Others	annual	1	\$600	\$600	\$600
MWL - Alkalinity	one time	1	\$130	\$130	\$43
MWL - supplies	one time	1	\$1,865	\$1,865	\$622
TOTALS:				\$31,865	\$25,638

Table J-1. Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	10	10.00

Table K-1. Service Line and Meter Installation Charges

Meter Size	Current Service Line Charges	Current Meter Charges	Current Total Charges
5/8 x 3/4-inch	\$385	\$135	\$520
3/4-inch	\$385	\$215	\$600
1-inch	\$435	\$255	\$690
1-1/2-inch	\$470	\$465	\$935
2-inch Turbine	\$630	\$965	\$1,595
2-inch Compound	\$630	\$1,690	\$2,320
3-inch Turbine	\$805	\$1,470	\$2,275
3-inch Compound	\$845	\$2,265	\$3,110
4-inch Turbine	\$1,170	\$2,350	\$3,520
4-inch Compound	\$1,230	\$3,245	\$4,475
6-inch Turbine	\$1,730	\$4,545	\$6,275
6-inch Compound	\$1,770	\$6,280	\$8,050
8-inch & Larger	At Cost	At Cost	At Cost

BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION OF)
CHAPARRAL CITY WATER COMPANY, INC.,)
AN ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE CURRENT FAIR)
VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES FOR UTILITY)
BASED THEREON)

DOCKET NO. W-02113A-07-0551

DIRECT

TESTIMONY

OF

MARVIN E. MILLSAP

PUBLIC UTILITIES ANALYST IV

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

OCTOBER 03, 2008

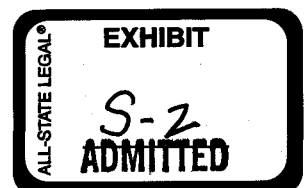


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**EXECUTIVE SUMMARY
CHAPARRAL CITY WATER COMPANY, INC.
DOCKET NO. W-02113A-07-0551**

Chaparral City Water Company, Inc. ("Chaparral City" or "Company") is an Arizona-based corporation that provides water utility service to the Town of Fountain Hills which is located along the eastern city limits of Scottsdale within Maricopa County. The Company served approximately 13,500 customers during the test year ended December 31, 2006. The Company's current rates were approved in Decision No. 68176, dated September 30, 2005, and became effective on October 1, 2005. Chaparral City's sole shareholder is American States Water Company, which is publicly traded on the New York Stock Exchange.

The Company proposes rates that would produce operating revenue of \$10,515,017 and operating income of \$2,681,268 for a 9.32 percent rate of return on a fair value rate base ("FVRB") of \$28,768,975. The Company's proposal would increase annual operating revenues by \$3,068,317, or 41.20 percent, over test year revenues of \$7,446,700. Under the Company's proposed rates, the average residential 3/4-inch meter customer consuming 8,450 gallons per month would experience an \$11.79, or 36.41 percent, increase in his/her monthly bill from \$32.37 to \$44.16.

Staff recommends total annual operating revenue of \$9,181,965 and operating income of \$2,055,831 for a 7.60 percent rate of return on a FVRB of \$27,050,414. Staff's recommended revenue represents an increase of \$1,735,265, or 23.30 percent, over test year revenues of \$7,446,700. Under Staff's recommended rates, the average residential 3/4-inch meter customer consuming 8,450 gallons per month would experience a \$4.09, or 12.63 percent, increase in his/her monthly bill from \$32.37 to \$36.46.

Staff's recommended rates would have a residential 3/4-inch meter customer consuming the median usage of 5,500 gallons per month paying \$27.85, or \$2.91 more than the current \$24.94 for a 11.67 percent increase. By comparison, a residential 3/4-inch meter customer consuming the median usage of 5,500 gallons per month under the Company's proposed rates would be billed \$34.03, or \$9.09 more than the current \$24.94 for a 36.43 percent increase.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Marvin E. Millsap. I am a Public Utilities Analyst IV employed by the
4 Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division
5 ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.
6

7 **Q. Briefly describe your responsibilities as a Public Utilities Analyst IV.**

8 A. In my capacity as a Public Utilities Analyst IV, I analyze and examine accounting,
9 financial, statistical and other information and prepare reports based on my analyses that
10 present Staff's recommendations to the Commission on utility revenue requirements, rate
11 design and other matters.
12

13 **Q. Please describe your educational background and professional experience.**

14 A. In 1991, I received a Masters degree in Business Administration, with a major in
15 management. My studies included courses in economics, finance, research, information
16 systems, entrepreneurship and marketing. In 1970, I graduated from Arizona State
17 University, receiving a Bachelor of Science degree in Accounting. I am a Certified Public
18 Accountant licensed to practice Public Accounting with the Arizona State Board of
19 Accountancy. I have previously been licensed to practice Public Accounting with the
20 Kansas and South Carolina State Boards of Accountancy. In addition, I am a Certified
21 Government Financial Manager ("CGFM") as designated by the Association of
22 Government Accountants ("AGA"). I have attended various seminars and classes on such
23 subjects as accounting, auditing, financial reporting, management of people and
24 organizations, taxation, financing of water and wastewater systems and utility regulatory
25 issues sponsored by the National Association of Regulatory Utility Commissioners',
26 American Institute of Certified Public Accountants and the AGA. I am a member of the

1 American Institute of Certified Public Accountants and the Association of Government
2 Accountants. I have also attained the designations of "Competent Communicator" and
3 "Competent Leader" with Toastmasters, International.

4
5 I joined the Commission as a Public Utilities Analyst in October of 2007. Previously, I
6 was employed by the Kansas Corporation Commission from May 1993 to May 1997, as a
7 Managing Regulatory Utility Auditor and the Arizona Corporation Commission from
8 November 1989 through May 1993, first as a Utilities Auditor and subsequently as a Rate
9 Analyst and Senior Rate Analyst. In May 1997, I began working as a Senior Auditor with
10 the Federal Communications Commission in Washington, DC, and subsequently became a
11 Public Utilities Specialist with the Western Area Power Administration in Phoenix where I
12 worked in Power Marketing and purchased power contract management. Most recently I
13 worked for the U. S. State Department in Charleston, SC, as a Post Allotment Accountant
14 and assisted with training of the Budget and Finance Staff at several Embassies in Europe,
15 Africa and South America.

16
17 Prior to accepting State regulatory positions, I was employed with national and local
18 Certified Public Accounting firms for approximately 12 years performing financial and
19 operational audits, as well as providing tax and accounting services. Additionally, I was
20 involved with municipal electric, natural gas, water and waste water utility system operations
21 and accounting for approximately 8 years at the City of Mesa and the Town of Wickenburg,
22 Arizona. My experience includes being Chief Financial Officer of a construction company
23 and a real estate development company, as well as managing commercial and residential
24 construction projects. I have also been a Business Law instructor for the Lambers CPA
25 Review Course.

1 **Q. Have you previously testified as an expert witness?**

2 A. Yes. I have testified before the Kansas Corporation Commission in several electric and gas
3 utilities' rate cases, and regarding telecommunications issues. In addition, I have testified
4 before the Arizona Corporation Commission. I have also testified as an expert witness before
5 the Interstate Commerce Commission.

6
7 **Q. What is the scope of your testimony in this case?**

8 A. I am presenting Staff's analysis and recommendations regarding Chaparral City Water
9 Company, Inc.'s ("CCWC," "Chaparral City" or "Company") application for a
10 determination of the current fair value of its utility plant and property and a permanent rate
11 increase. I am presenting testimony and schedules addressing rate base, operating
12 revenues and expenses, revenue requirement, and rate design. Staff witness Mr. Pedro M.
13 Chaves is presenting Staff's cost of capital and capital structure analysis and
14 recommendations. Mr. Marlin Scott, Jr. is presenting Staff's engineering analysis and
15 recommendations.

16
17 **Q. What is the basis of your testimony in this case?**

18 A. I performed a regulatory audit of the Company's application and records. The regulatory
19 audit consisted of examining and testing financial information, accounting records, and
20 other supporting documentation and verifying that the accounting principles applied were
21 in accordance with the Commission adopted National Association of Regulatory Utility
22 Commissioners ("NARUC") Uniform System of Accounts ("USOA").

1 **BACKGROUND**

2 **Q. Would you please provide the background of this application?**

3 A. Chaparral City is an Arizona-based corporation that provides water utility service to the
4 Town of Fountain Hills which is located along the eastern city limits of Scottsdale within
5 Maricopa County. The Company served approximately 13,500 customers during the test
6 year ended December 31, 2006. The Company's last full rate case resulted in Decision
7 No. 68176, dated September 30, 2005, which became effective on October 1, 2005. An
8 Appeal and Remand case resulted in Decision No. 70441, dated July 17, 2008, which
9 granted CCWC \$12,143 in additional revenues. Chaparral City's sole shareholder is
10 American States Water Company, which is publicly traded on the New York Stock
11 Exchange.

12
13 On September 26, 2007, Chaparral City filed an application requesting determination of
14 the current fair value of its utility plant and property and a permanent rate increase. On
15 October 26, 2007, Staff filed a letter declaring the application sufficient and classifying
16 the Company as a Class A utility.

17
18 **SUMMARY OF TESTIMONY AND RECOMMENDATIONS**

19 **Q. Please summarize the Company's filing.**

20 A. The Company proposes rates that would produce operating revenue of \$10,515,017 and
21 operating income of \$2,681,268 for a 9.32 percent rate of return on a fair value rate base
22 ("FVRB") of \$28,768,975. The Company's proposal would increase annual operating
23 revenues by \$3,068,317, or 41.20 percent, over test year revenues of \$7,446,700. It
24 should be noted that \$32,536 in adjustments to plant in service per Decision No. 68176
25 had to be added to original cost rate base ("OCRB") and FVRB because this amount did
26 not get carried forward from Exhibit Schedule B-2, Page 3c, where it was included in the

1 beginning balance from the Decision, to Exhibit Schedule B-2, Page 1. Exhibit Schedule
2 B-2, Page 1 develops the Company's OCRB that is reflected in Exhibit Schedule B-1,
3 Page 1, which also develops the Company's FVRB. FVRB then flows through to Exhibit
4 Schedule A-1, Page 1, where it is used to calculate the gross revenue requirement. The
5 Company acknowledged the omission of the \$32,536.

6
7 **Q. Please summarize Staff's recommendations.**

8 A. Staff recommends total annual operating revenue of \$9,181,965 and operating income of
9 \$2,055,831 for a 7.60 percent fair value rate of return on a FVRB of \$27,050,414. Staff's
10 recommended revenue represents an increase of \$1,735,265, or 23.30 percent, over test
11 year revenues of \$7,446,700.

12
13 **Q. Please summarize the rate base recommendations and adjustments addressed in**
14 **your testimony.**

15 A. My testimony addresses the following issues:

16
17 Shared Gain on Well – This adjustment increases the unamortized portion (\$646,000) of
18 the settlement proceeds by \$570,000. The settlement proceeds received from Fountain
19 Hills Sanitation District for discontinuing the use of Wells 8 and 9 ("Wells"), which are
20 fully depreciated, have been characterized as a gain on the sale of property. However,
21 close examination of the transaction indicates that no transfer of property occurred. The
22 Company proposed an equal sharing with the ratepayers and a ten-year amortization. In
23 Staff's opinion, the transaction is not a sale, so a 50 – 50 sharing is not appropriate. Thus
24 the entire settlement proceeds should be recognized in such a way as to benefit ratepayers
25 and amortize the proceeds over a ten-year period beginning in 2005. This adjustment is
26 the same for OCRB and the reconstruction cost rate base ("RCRB").

1 Deferred Regulatory Assets – This adjustment decreases deferred regulatory assets related
2 to OCRB by \$1,280,000 and the RCRB by \$1,280,000. This adjustment removes the
3 Company's pro forma adjustment that added the cost of the additional Central Arizona
4 Project ("CAP") allocation acquired in 2007. Staff recommends reclassifying the cost of
5 the additional CAP allocation as a water right in Land and Land Rights due to its attribute
6 of existing into perpetuity.

7
8 General Office Plant Allocation – This adjustment increases the General Office plant
9 allocation OCRB by \$124,299 and RCRB by \$174,963. This adjustment removes a
10 portion of the Company's pro forma adjustment for General Office ("GO") plant relating
11 to studies mandated by the California Public Utilities Commission or California Statutes
12 and made before the acquisition of CCWC, thus benefiting only California operations.
13 This adjustment also removes the cost of luxury vehicles from GO plant. This adjustment
14 also reflects an increase from 3.21% to 4.0% in the allocation percentage used to allocate
15 GO plant.

16
17 Accumulated Depreciation – This adjustment increases Accumulated Depreciation related
18 to the GO plant allocation percentage. CCWC plant accumulated depreciation is reduced
19 due to the retirement of plant and increased for the capitalization of plant items that had
20 been expensed in error for a net decrease of \$2,031,950. This adjustment decreases
21 Accumulated Depreciation related to the RCRB by \$2,506,970. This adjustment reflects
22 the difference between Staff's and the Company's calculation of RCND Accumulated
23 Depreciation and the additions and retirements of CCWC plant and the changes related to
24 GO plant mentioned above.
25

1 Elimination of Working Capital Components – This adjustment decreases Unamortized
2 Debt Issuance Costs, Prepayments and Materials and Supplies Inventory related to OCRB
3 by \$424,010, \$192,485 and \$14,521, respectively. These items are normally considered
4 working capital components. This adjustment decreases these items as related to the
5 RCRB by \$424,010, \$192,485 and \$14,521, respectively. The Company has not requested
6 a cash working capital allowance and did not submit a lead/lag study to determine what
7 allowance should be made for cash working capital, so including other components of
8 working capital in rate base is inappropriate.

9
10 Capitalize Outside Services Expenses – This adjustment increases plant-in-service by
11 \$37,673 to reclassify test year expenditures that had been included in operating expenses.
12 It was determined that these purchases would benefit more than one accounting period and,
13 thus, should be capitalized and depreciated ratably over their estimated useful lives.

14
15 Retire Wells and Other Plant Not-In-Use – This adjustment reduces plant-in-service by
16 \$2,118,334 to remove plant items which are not used and useful. Among these items are
17 Wells and a water treatment facility. For RCRB purposes these two OCRB adjustments
18 have been combined, along with the CAP allocation purchase, into one adjustment that
19 also incorporates the retirements and reclassifications discussed in Marlin Scott, Jr.'s
20 testimony.

1 Q. Please summarize the operating income recommendations and adjustments
2 addressed in your testimony.

3 A. My testimony addresses the following issues:
4

5 Well Settlement Proceeds – This adjustment increases the Company’s negative expense by
6 a negative \$76,000, to a negative \$152,000. This adjustment reflects recognition of the
7 allocation of one hundred percent of the proceeds from the settlement with Fountain Hills
8 Sanitation District for removing two wells from service to ratepayers, not providing a
9 replacement well and amortizing the proceeds over ten years.
10

11 Purchased Water – This adjustment decreases expenses by \$20,306. This adjustment
12 accounts for known and measurable changes in rates from the Central Arizona Project and
13 Central Arizona Groundwater Replenishment District (“CAGRD”) and the expenses
14 related to the additional CAP water allotment that is fifty-percent used and useful.
15

16 Depreciation Expense – This adjustment decreases expenses by \$86,188 to reflect the
17 retirement of plant, capitalization of plant items expensed in the test year, increase in the
18 GO plant allocation from 3.21 percent to 4.0 percent and application of Staff’s composite
19 depreciation rate to contributions in aid of construction (“CIAC”).
20

21 Miscellaneous Expense – This adjustment increases expenses by \$38,164 to reflect an
22 increase in the GO expense allocation from 3.74 percent to 4.0 percent, and removes \$950
23 of lobbying costs included in membership dues paid during the test year for a net increase
24 of \$37,214.

1 CAP Amortization – This adjustment decreases expenses by \$64,000. This adjustment
2 removes \$64,000 related to the purchase of the additional CAP allocation that has been
3 determined to be an intangible asset not eligible for amortization.

4
5 Rate Case Expense – This adjustment decreases expenses by \$61,538 to reflect a
6 normalized amount of \$83,333.

7
8 Chemicals Expense – This adjustment decreases expenses by \$27,630 to reflect a
9 normalized amount of \$99,827.

10
11 Repairs & Maintenance – This adjustment decreases expenses by \$19,018. This amount
12 includes the disallowance of \$5,543 in expenses related to the purchase of beverages as an
13 employee benefit and to reflect a normalized amount of \$85,591.

14
15 Insurance – This adjustment increases expenses by \$3,654 to reflect a normalized amount
16 of \$2,360.

17
18 Outside Services – This adjustment decreases expenses by \$38,048 to remove disallowed
19 expenses and capitalize costs expensed that should have been classified as plant-in-
20 service.

21
22 Water Testing Expense – This adjustment decreases expenses by \$17,820 to reflect a
23 normalized amount of \$25,638.

24

1 Property Tax Expense – This adjustment decreases expenses by \$33,413 to reflect Staff's
2 calculation using the modified Arizona Department of Revenue property tax calculation
3 methodology.

4
5 Income Tax Expense – This adjustment increases expenses by \$197,275 to reflect
6 application of statutory state and federal income tax rates to Staff's taxable income.

7
8 **RATE BASE**

9 **Q. Please review Chaparral City's proposed rate base.**

10 A. The Company is proposing a FVRB of \$28,768,975 based upon an equal weighting of its
11 OCRB and RCRB as shown on Schedule MEM FVRB-2.

12
13 **Q. Is Staff recommending any changes to the Company's proposed rate base?**

14 A. Yes. Staff recommends a FVRB of \$27,050,414 based upon an equal weighting of Staff's
15 OCRB and RCRB as shown on Schedule MEM FVRB-2, a reduction of \$1,718,560 from
16 the Company's proposed FVRB.

17
18 **Q. How many rate base adjustments is Staff recommending?**

19 A. Staff recommends seven adjustments to rate base as shown on Schedules MEM-3 and
20 MEM-4. Each adjustment described below is made to the OCRB, with a corresponding
21 adjustment made to the RCRB as shown on Schedules MEM RCN-1 and MEM RCN-2.
22 A detailed explanation of Staff's adjustments follows below.

Rate Base Adjustment No. 1 – Settlement Proceeds for Wells Taken Out-of-Service.

Q. What are the circumstances which resulted in the settlement with the Fountain Hills Sanitation District for taking Wells 8 and 9 (“Wells”) out of service?

A. Fountain Hills Sanitary District (“District”) needed an aquifer storage and recovery well (“effluent storage well”) to pump and store its effluent. The effluent storage well would be located near the Wells, a potable water source. The close proximity of the effluent storage well to the potable water source posed a contamination risk, so the prior owners of CCWC, MCO Properties (“MCO”), and the District began negotiations in order to remove any possible adverse consequences to the Company’s customers.

MCO and the District reached an agreement to exchange wells. One of the key terms of the agreement was that the District would provide a new replacement well with similar water quality and production capacity as the Wells. After the replacement well was built and the new effluent storage well became operational, the Wells would be taken out of service and physically isolated from the system. Unfortunately, the District was unable to construct an adequate replacement well and a new agreement had to be negotiated.

Q. What was the new agreement?

A. In February, 2005, CCWC and the District reached an agreement wherein the District paid CCWC \$1,520,000 in exchange for the Wells no longer being used to provide potable water service.

Q. When were Wells 8 and 9 put in service?

A. Wells 8 and 9 were put in service in 1971 and 1972, respectively.

1 **Q. Are these Wells fully depreciated?**

2 A. Yes, they became fully depreciated in 2001 and 2002 according to the Company's
3 response to Data Request MEM 7.3. The useful life assigned to "Wells and Springs" is 30
4 years but, because CCWC uses the group depreciation method, the cost of the wells is still
5 included in the calculation of depreciation expense and the determination of rate base until
6 new rates become effective as a result of the instant rate case.

7
8 **Q. Has CCWC been compensated for the risk it incurred in making the investment in**
9 **the Wells?**

10 A. Yes, the ratepayers, through the depreciation expense and return on rate base included in
11 their water service rates, have paid the Company for the original cost of the Wells, and
12 have continued to pay because CCWC uses the "group depreciation method", which will
13 be addressed later in my testimony.

14
15 **Q. Does the \$1.52 million payment represent a gain on the sale of utility property?**

16 A. No, it does not. The Company did not sell the Wells. The Company continues to own the
17 wells. Therefore, no gain was realized. The \$1.52 million payment is the proceeds from a
18 settlement agreement. Consequently, any characterization of the settlement proceeds as a
19 "gain" is incorrect. Additionally, the Company could potentially sell the Wells at some
20 point in the future. Although the agreement gives the District an option to acquire well 8
21 for no additional consideration, this had not occurred at the time of Staff's on-site visit on
22 April 3, 2008.

1 **Q. How was the settlement amount of \$1.52 million determined?**

2 A. According to the testimony of Mr. Robert N. Hanford, District Manager of CCWC, the
3 \$1.52 million represents the "equivalent cost of water to replace that amount the Wells
4 would have produced over the remainder of its useful life" (page 10, at line 12).

5
6 **Q. Has the Company replaced the water supply that would have served customers from**
7 **the Wells with more expensive CAP water?**

8 A. Yes. The Company has replaced the water that would have been pumped from Well 9 to
9 serve customers with part of the 6,978 acre feet of CAP water from its 1984 CAP contract.
10 CAP water, which is significantly more expensive than the cost of using water from Well
11 9. Moreover, the customers have fully paid for the well and the approximately \$1.52
12 million in water contained in it. The \$1.52 million was meant to compensate the
13 Company for an equal amount of water regardless of where the Company actually
14 obtained the water. The \$1.52 million would effectively lower the cost of the more
15 expensive CAP water to that of the less expensive water that would have been pumped
16 from Well 9; therefore, making the customers whole.

17
18 **Q. Why was the well water replaced with the CAP water?**

19 A. The Company's 6,978 acre feet of CAP water, in most prior years, was actually more than
20 that needed to serve its test year customers. Therefore, since it had an excess of water
21 from its underutilized CAP allocation, and would have had to pay the same amount for the
22 CAP water regardless of the amount it used, the Company made a management decision to
23 stop using water from well 9. This decision effectively replaced Well 9 water with CAP
24 water.

1 **Q. Will the CCWC customers have to pay higher rates because CAP water is used?**

2 A. Yes, because CAP water is more expensive than pumping ground water.

3
4 **Q. Is there another reason for utilizing CAP water?**

5 A. Yes, CAP water is a renewable resource and its use is encouraged by the Arizona
6 Department of Water Resources ("ADWR") as being in the public interest.

7
8 **Q. What ratemaking treatment does the Company propose for the \$1.52 million in**
9 **settlement proceeds?**

10 A. The Company proposes a 50 - 50 sharing between the ratepayers and the shareholders.
11 Specifically, the Company proposes to set up a regulatory liability to reduce rate base by
12 one-half of the \$1.52 million (or \$760,000). The regulatory liability would be amortized
13 over 10 years and would have the effect of reducing operating expenses by one-tenth (or
14 approximately \$76,000) each year for ten years. The total amount the Company has
15 proposed is \$646,000 which represents the \$760,000 amortized over two years [i.e.,
16 $\$760,000 - (\$76,000/2) - \$76,000 = \$646,000$].

17
18 **Q. What is the basis for the Company's proposal?**

19 A. The Company states that "There is precedent by this Commission to share extraordinary
20 gains equally between the Company's shareholders and its rate payers." See Arizona
21 Water Company – Eastern Group Decision No. 66849 (March 19, 2004) at 32-35 . . ."
22 (Bourassa, page 11, at line 5).

1 **Q. Does Staff believe that this settlement is similar or identical to the Arizona Water**
2 **case cited above?**

3 A. No. Although both involve a settlement, the Arizona Water case results in a monetary
4 payment being received in addition to replacement water. In the CCWC case, the
5 settlement proceeds represent the anticipated cost of replacement water.

6
7 **Q. For ratemaking purposes, how should the \$1.52 million be treated?**

8 A. Staff is recommending that all of the \$1.52 million in settlement proceeds (which
9 represents the cost to replace the Wells' water supply that customers had fully paid for)
10 flow through to rate payers to compensate them for the higher rates they are paying and
11 will continue to pay for the CAP water that replaced the Wells' water supply.

12
13 **Q. What is Staff's adjustment to rate base?**

14 A. Staff recommends reducing rate base by \$1.52 million less the amortization expense for
15 2005 and 2006 leaving a regulatory liability balance of \$1,216,000.

16
17 **Rate Base Adjustment No. 2 – Deferred Regulatory Assets**

18 **Q. Briefly discuss the Company's Central Arizona Project ("CAP") water allocations.**

19 A. The Company has two CAP allocations. One is a 6,978 acre feet allocation that was
20 purchased in 1984 and used to serve test year customers. The other is a 1,931 acre feet
21 allocation purchased in 2007.

22
23 **Q. What is the Company proposing regarding Deferred Regulatory Assets?**

24 A. The Company has made a pro-forma adjustment to include in rate base, at the end of the
25 2006 test year, the cost of the additional allotment of 1,931 acre feet of Municipal and
26 Industrial ("M&I") water that has been purchased from the United States Bureau of

1 Reclamation and Central Arizona Water Conservation District in 2007. A payment of
2 \$1,280,000 for prior capital charges was required by December 1, 2007. As an alternative,
3 CCWC could have selected an interest-free five-year installment payment plan.
4

5 **Q. What ratemaking treatment is the Company proposing for its 2007 CAP allocation?**

6 A. The Company is proposing to include the 2007 CAP allocation in rate base as a regulatory
7 asset to be amortized to expense over a twenty-year period (\$64,000 per year).
8

9 **Q. What are the Company's reasons for including the 2007 CAP allocation in rate base?**

10 A. The Company claims that the 2007 CAP allocation is revenue neutral and used and useful.
11

12 **Q. Does Staff agree that the Commission should recognize the cost of the additional**
13 **CAP allotment as a regulatory asset?**

14 A. No. Staff believes that the additional CAP Allotment should be recognized as part of
15 "post test year" ("PTY") plant rather than a deferred asset. Further, the Company is in
16 agreement with Staff that the CAP allotment purchased in 2007 is PTY plant (Bourassa
17 Direct, page 11, at line 25).
18

19 **Q. What is Staff's recommendation regarding the rate base treatment of the additional**
20 **CAP allotment?**

21 A. Staff recommends that the Company's pro-forma adjustment to increase rate base by
22 \$1,280,000 be reversed on the basis that the allocation has properties more associated with
23 a water right and, thus, should be reclassified to plant-in-service as an intangible asset not
24 subject to amortization.

1 **Q. Why does Staff believe the additional CAP allotment is a water right?**

2 A. Because CCWC has entered into a contract with the United States Bureau of Reclamation
3 and Central Arizona Water Conservation District for delivery of 8,909 acre feet of water
4 (the original 6,978 plus the additional 1,931) dated March 7, 2007, "for a period of 100
5 years beginning January 1 of the Year following that which the subcontract becomes
6 effective," per Article 4.2 of the subcontract. This Article also provides for annual
7 renewals of the contract at the option of CCWC. The 8,909 acre feet quantity is described
8 in Article 4.12(a) of the contract as an: "Entitlement to Project M & I Water". The term
9 of the contract and renewal provisions indicates that CCWC can receive 8,909 acre feet of
10 water per year forever, or into perpetuity

11

12 **Q. Why does Staff believe that the cost of the additional allotment should not be**
13 **amortized?**

14 A. Staff believes that the cost of the additional allotment is an intangible asset that will not
15 decline or diminish in value. The value of the allocation may increase but the Bureau of
16 Reclamation prohibits CAP allocations from being sold for more than the accumulated M
17 & I charges.

18

19 **Q. Is the additional CAP water used and useful?**

20 A. Partially. A detailed explanation can be found on page 9 of the Engineering Report of
21 Staff witness Mr. Marlin Scott, Jr.'s direct testimony. He has determined that fifty-percent
22 of the additional CAP allocation of 1,931 acre feet of water is used and useful.

1 **Q. Has the Commission previously allowed recovery of PTY plant costs?**

2 A. Yes. However, the Commission typically does not allow recovery of PTY plant costs
3 when there is no plan for use in the near future, especially when the plant is not used to
4 serve test year customers.

5
6 **Q. Does Staff believe that CCWC has acted prudently in the purchase of the additional**
7 **CAP allotment?**

8 A. Yes, because the reallocation of CAP water occurs infrequently, and because the CAP
9 water is oversubscribed, it becomes imperative to secure an allotment when it is available.
10 Another factor in considering the purchase prudent is that CAP reallocations have to be
11 taken in whole as presented – it is an all or none situation. Also, the additional allotment
12 of 1,931 acre feet will allow CCWC to limit, or eliminate, the use of groundwater to serve
13 its customers.

14
15 **Q. Does Staff characterize the CAP entitlement as a renewable resource?**

16 A. Yes.

17
18 **Q. What is Staff's adjustment regarding the cost of the additional CAP allocation**
19 **purchased in 2007?**

20 A. Staff has reclassified the "Deferred Regulatory Assets" balance of \$1,280,000 to NARUC
21 USOA number 303, Land and Land Rights, as a plant-in-service component.

22
23 **Rate Base Adjustment No. 3 - Test Year General Office ("GO") Plant Allocation**

24 **Q. What is the Company proposing for Plant in Service?**

25 A. The Company is proposing a total of \$51,053,252 for Plant in Service relating to its
26 OCRB. The Company is proposing all plant, property and equipment that were in service

1 during the test year, plus an allocation of \$751,171 related to GO plant for a total of
2 \$51,804,423.

3
4 **Q. Is Staff in agreement with the Company's proposed amount of Plant in Service,**
5 **including the GO plant?**

6 A. No, during its regulatory audit of GO plant, several luxury vehicles were discovered, as
7 well as two studies that originated before acquisition of CCWC and, based on the
8 Company's response to a data request, relate strictly to the parent company's California
9 operations. At the 3.21 percentage allocation rate used by the Company, the value of
10 these items amounts to \$48,608 that Staff proposes to remove from GO plant.

11
12 **Q. Is Staff in agreement with the Company's proposed allocation percentage for the GO**
13 **plant?**

14 A. No, during Staff's review of the allocation percentage assigned to CCWC relative to all of
15 American States Water Company's ("AWR") operations it was determined that it should
16 be 4.0 percent for the test year 2006 using the same four factor formula proposed by the
17 Company. The Company has proposed an allocation of GO plant of 3.21 percent based on
18 a four factor formula consisting of (1) number of customers; (2) value of utility plant-in-
19 service; (3) operating expenses; and (4) labor costs. Staff discovered that the 3.21 percent
20 was based on using data as of September, 2005, in the four factor formula. Staff requested
21 data as of the end of the test year and believes that this is more accurate given the
22 expansion of non-regulated operations and the inconsistency of the Company's proposed
23 GO allocation percentage – 3.21 percent for plant and 3.74 percent for operating expenses,
24 which will be discussed later in my testimony.

1 **Q. Why is Staff recommending removal of the cost of studies included in GO plant?**

2 A. In both cases the studies were completed before the acquisition of CCWC and were
3 ordered by the CPUC or mandated by California Statutes. One is a management audit
4 ordered by the CPUC that was completed in 1995 and cost \$420,000. The other cost,
5 \$820,254, to be excluded is for water management plans completed in 1998 in conjunction
6 with California Water Code Sections 10610 through 10657.

7
8 **Q. What is the amount of Staff's adjustment to increase the allocation of GO plant to**
9 **CCWC?**

10 A. After removing the cost of the luxury vehicles and the studies that do not benefit Arizona
11 ratepayers and applying the 4.0 allocation percentage, GO plant in service original cost is
12 increased by \$124,299, or \$174,963 RCN. Thus, \$875,470, or \$1,167,091 RCN, of GO
13 plant is included in CCWC's rate base. The details of this adjustment are presented on
14 Schedule MEM-7.

15
16 **Rate Base Adjustment No. 4 – Accumulated Depreciation**

17 **Q. Would you please explain Staff's rate base adjustment No. 4.**

18 A. Staff's adjustment reduces Accumulated Depreciation by \$2,031,950 from the Company's
19 amount of \$15,877,022 to reflect Staff's calculated Accumulated Depreciation of
20 \$13,845,072. The reason for this difference is related to Staff using the 4.0 GO plant
21 allocation percentage and the plant additions and retirements discussed in Rate Base
22 Adjustments No. 6 and No. 7. Changing the GO allocation increased accumulated
23 depreciation by \$84,561. Plant additions increased accumulated depreciation by \$1,823
24 and retirements decreased accumulated depreciation by \$2,118,334 as shown on Schedule
25 MEM-8. Plant additions and retirements are discussed on Schedule MEM-10 and MEM-
26 11.

1 **Q. What additional adjustment has Staff included on Schedule MEM-8?**

2 A. Staff witness Mr. Marlin Scott, Jr.'s direct testimony indicates that several plant items
3 have been incorrectly classified in the Company's records and describes the correct
4 category for these items. Part of Staff's adjustment on Schedule MEM-8 reclassifies the
5 accumulated depreciation for the listed items into the proper NARUC account numbers.

6
7 **Q. How did Staff determine the amount of accumulated depreciation to reclassify?**

8 A. Staff used the acquisition dates mentioned in Staff witness Mr. Marlin Scott, Jr.'s direct
9 testimony and recalculated the annual depreciation expense for each year since then
10 through the test year, which was then summed to derive the accumulated depreciation
11 balance. Since the reclassification entailed the reduction of some account balances and
12 increases in others by the exact same amounts, there is no impact on the overall
13 accumulated depreciation balance.

14
15 **Q. What is Staff's recommendation?**

16 A. Staff recommends reducing Original Cost New ("OCN") Accumulated Depreciation by
17 \$2,031,950, from \$15,877,022 to \$13,845,072 as shown on Schedule MEM-8.

18
19 **Q. What additional recommendation is Staff making regarding OCN plant accounting
20 and accumulated depreciation?**

21 A. Staff recommends that CCWC adopt, on a going forward basis, the "Group Depreciation"
22 method in which the additions for each year and for each plant account are considered a
23 separate "group." This will facilitate the identification of the cost of specific assets, and
24 their associated accumulated depreciation, so that the proper amounts can be retired when
25 appropriate.

1 **Q. Is there a corresponding adjustment for Reconstruction Cost New plant?**

2 A. Yes. Staff discovered that the OCN accumulated depreciation totals by NARUC Account
3 Number presented in on Exhibit Schedule B-2, Page 3d did not agree with the OCN totals
4 used on Exhibit Schedule B-4, the RCN calculation schedule. Staff proposes two
5 adjustments to RCN: the first is a decrease of \$2,620,789, as shown on Schedule MEM-
6 RCN-2, which results from additions and retirements of plant. The second adjustment is
7 an increase of \$113,818 resulting from the change in GO allocation percentage but this is
8 offset by the decrease of \$2,620,789 so the net decrease in RCN accumulated depreciation
9 is \$2,506,970.

10

11 **Q. What is Staff's recommendation regarding RCN accumulated depreciation?**

12 A. Staff recommends decreasing RCN Accumulated Depreciation by \$2,506,970, from
13 \$25,894,686 per Exhibit Schedule B-3, Page 1 to \$23,387,716 as shown on Schedule
14 MEM-RCN-2.

15

16 **Rate Base Adjustment No. 5 – Removal of Working Capital Components.**

17 **Q. Would you please explain Staff's rate base adjustment No. 5?**

18 A. Yes. Staff's adjustment accounts for a decrease to rate base by removing Unamortized
19 Debt Issuance Costs, \$424,010, Prepayments, \$192,485, and Materials and Supplies
20 Inventory, \$14,521. These balances are considered in working capital calculations along
21 with a cash working capital component derived from a lead/lag study, for overall inclusion
22 in rate base.

1 **Q. Why did Staff disallow the Unamortized Debt Issuance Costs from being included in**
2 **rate base?**

3 A. Debt issuance costs are a "below the line" expense the same as interest and, thus, should
4 be paid from the return on rate base portion of the charges to ratepayers. Consequently,
5 the unamortized debt issuance costs are attributable to the shareholders, did not require an
6 outlay of cash by the shareholders and from a ratemaking standpoint should not be
7 allowed to earn a rate of return by being included in ratebase.

8
9 **Q. Did CCWC request a cash working capital allowance as part of its rate base?**

10 A. No, and the Company did not prepare a lead/lag study to determine what the amount of
11 cash working capital should be.

12
13 **Q. What is Staff's rationale for its recommendation to disallow Prepayments and**
14 **Material and Supplies Inventory from rate base?**

15 A. The Company failed to provide a lead/lag study to determine the cash working capital
16 component. Since the vital portion of working capital is missing, it is inappropriate to
17 consider other components of working capital.

18
19 **Q. What is Staff's recommendation?**

20 A. Staff recommends that Unamortized Debt Issuance Costs, \$424,010, Prepayments,
21 \$192,485, and Materials and Supplies Inventory, \$14,521 be excluded from the rate base.

1 **Q. Does Staff have additional recommendations regarding a cash working capital**
2 **allowance?**

3 A. Yes, Staff recommends that the Company be ordered to perform and submit a Lead/Lag
4 Study in conjunction with its next rate adjustment request application in order to meet the
5 sufficiency requirement of that filing.

6
7 **Rate Base Adjustment No. 6. – Expensed Plant (Capitalize Charges to Outside Services)**

8 **Q. Please provide guidelines that companies should use in determining whether a cost**
9 **should be capitalized by recording it in a plant account or treated as an operating**
10 **expense.**

11 A. The Arizona Administrative Code R14-2-411 D.2 requires water companies to maintain
12 their accounting records in accordance with the NARUC USOA. It states that “Each
13 utility shall maintain its books and records in conformity with the Uniform System of
14 Accounts for Class A, B, C and D Water Utilities” (emphasis added).

15
16 Further, the NARUC USOA provides a listing of plant accounts and the types of costs that
17 should be recorded in each account. Utilities should use the plant account listing and
18 Accounting Instruction No. 14 “Utility Plant – Components of Construction Costs” to
19 determine what costs should be recorded as plant.

20
21 **Q. Did CCWC propose to expense costs that should be recorded in plant accounts?**

22 A. Yes, according to the NARUC USOA, the Company expensed plant costs incurred for
23 irrigation installation, fence installation, and pumps as shown on Schedule MEM-10 and
24 MEM-23.

1 **Q. What is the effect of expensing plant?**

2 A. If the NARUC USOA is not complied with, the result is an overstatement of operating
3 expenses and understatement of rate base. Adherence to the matching principle and the
4 NARUC USOA requires that the cost of an asset that benefits more than one accounting
5 period be capitalized (by recording it in a plant account) and depreciated over the asset's
6 useful life.

7
8 **Q. What is Staff's recommendation?**

9 A. Staff recommends increasing plant in service by \$37,673 to reclassify plant that was
10 incorrectly recorded as an operating expense as shown on Schedule MEM-23. This
11 adjustment to OCRB is reflected on Schedule MEM – 10, and the adjustment to RCRB is
12 presented on Schedule MEM RCN-5, page 2 of 2.

13
14 **Rate Base Adjustment No. 7 – Utility Plant-In-Service, Wells and Other Plant to be Retired**

15 **Q. Were the Wells discussed in Rate Base Adjustment No. 1 used and useful during the**
16 **test year?**

17 A. No, they were not. As Staff discussed earlier, the wells were taken out of service in
18 accordance with the well settlement agreement. Further, there are no pumps on the wells
19 so they cannot be used as a back-up source of water when the CAP water is shut down
20 for repair and maintenance.

21
22 **Q. What is the Company's proposed treatment of the Wells?**

23 A. The Company proposes to include the Wells in plant in service.

1 **Q. What is the effect of CCWC's proposal to include the Wells in rate base?**

2 A. CCWC's proposal to include the Wells, with a combined cost for OCRB purposes of
3 \$103,468, or RCRB of \$434,984, in rate base over-states the revenue requirement, and
4 ultimately, the rates paid by the Company's customers.

5
6 **Q. Does CCWC have other plant in service which is not considered used and useful?**

7 A. Yes. As described on Table 8 of Exhibit MSJ, attached to Marlin Scott, Jr.'s Testimony,
8 there is an additional \$2,014,866 of plant not used and useful. This plant is primarily
9 related to the water treatment facility acquired in 1986 through 1989. The RCN of this
10 non-used and useful plant is \$3,269,076.

11
12 **Q. What is the appropriate ratemaking treatment for plant that is not used and useful**
13 **in the test year?**

14 A. For ratemaking purposes, plant that is not used to provide service to customers during the
15 test year should be removed from rate base.

16
17 **Q. What is Staff's recommendation?**

18 A. Staff recommends decreasing plant in service by \$2,118,334, RCN \$2,480,011, to remove
19 the wells and other plant that is not used and useful from rate base as shown on Schedules
20 MEM-11 and MEM RCN-5.

OPERATING INCOME

Operating Income Summary

Q. What are the results of Staff's analysis of test year revenues, expenses, and operating income?

A. Staff's analysis resulted in adjusted test year revenues of \$7,446,700, expenses of \$6,443,612, and operating income of \$1,003,088 as shown on Schedules MEM-12 and MEM-13. Staff made thirteen adjustments to operating income.

Operating Income Adjustment No. 1 – Amortization of Well Settlement Proceeds.

Q. Would you please explain Staff's operating income adjustment No. 1?

A. Staff's adjustment increases the negative amortization expense related to the "Gain on Well" by \$76,000, from \$76,000 to \$152,000, as discussed in Rate Base Adjustment No. 1. As discussed in Staff's rate base adjustment, the Company has mischaracterized the settlement proceeds as a "gain" but they are actually from the settlement to remove the Wells from service. Staff's calculation of the "Amortization of Well Settlement Proceeds" is shown on Schedule MEM-14 and MEM 5.

Q. What is Staff's recommendation?

A. Staff recommends increasing "Amortization of the Well Settlement Proceeds" by \$76,000, from \$76,000 to \$152,000, which will allocate all of the proceeds received by CCWC for taking the Wells out of service to the ratepayers and amortize the proceeds over ten years.

Operating Income Adjustment No. 2 – Purchased Water Expense.

Q. Would you please explain Staff's operating income adjustment No. 2?

A. Staff's adjustment reduces Purchased Water Expense by \$20,306, from \$831,656 to \$811,351. Staff removed \$20,306 due to the finding that the additional CAP allocation is

1 only fifty percent used and useful. The Company's Pro Forma Adjustment No. 5 included
2 an increase for the operating expenses related to the additional CAP allocation but did not
3 isolate that portion of the adjustment so it cannot simply be reversed. Schedule MEM-15
4 shows Staff's calculation of this adjustment.

5
6 **Q. What is Staff's recommendation?**

7 A. Staff recommends reducing Purchased Water Expense by \$20,306, from \$831,656 to
8 \$811,351.

9
10 **Operating Income Adjustment No. 3 – Depreciation Expense**

11 **Q. Would you please explain Staff's operating income adjustment No. 3?**

12 A. Staff's adjustment decreases Depreciation Expense by \$86,188, from \$1,608,019 to
13 \$1,521,831. The primary difference in depreciation expense is related to Staff's GO
14 allocation percentage increase and the retirement of CCWC Wells 8 and 9 plus
15 capitalization of outside services per rate base adjustments discussed in that portion of my
16 testimony. Additionally, a portion of the difference is related to Staff's calculated CIAC
17 amortization, which results from a larger composite depreciation rate. Schedule MEM-16
18 shows Staff's calculation of Depreciation Expense.

19
20 **Q. What is Staff's recommendation?**

21 A. Staff recommends decreasing Depreciation Expense by \$86,188, from \$1,608,019 to
22 \$1,521,831.

Operating Income Adjustment No. 4 – Miscellaneous Expenses

Q. Would you please explain Staff's operating income adjustment no. 4?

A. Staff's adjustment increases Miscellaneous Expense by \$37,214, from \$1,259,948 to \$1,297,162. There are two components that comprise this adjustment: the allocation of GO expenses and membership dues.

Q. Please discuss Staff's adjustments to the GO Expense Allocation.

A. First, \$251,538 was removed from the GO expense pool of \$34,557,114 because it represented the cost of memberships in organizations that only benefited California ratepayers, and/or portions of membership dues which Staff could identify as being for lobbying costs. Also, the GO expense pool was reduced by \$1,040,585 to disallow expenses incurred for the exclusive benefit of the shareholders. Third, as discussed in Rate Base Adjustment 3, Staff believes that the 4.0 percent allocation based on the four factor methodology is more appropriate than the 3.74 percent allocation proposed by the Company, thus 4.0 percent was applied to the revised GO expense pool of \$33,264,981 to derive \$1,330,600. Schedule MEM-17 shows Staff's calculation of this adjustment. The difference between the Company's proposed GO expense allocation of \$1,292,436 and Staff's \$1,330,600 is \$38,164. Although Miscellaneous Expense is not where most of the GO expense was accounted for during the test year in CCWC's records, Staff has chosen to use it because this is the account to which the Company's year-end adjustment was posted.

Q. Did the Company and Staff use the same test year for the components of the four factor allocation methodology used to calculate the GO expense amount?

A. No, during Staff's review of the Company's derivation of the 3.74 percent allocation submitted in response to Staff Data Request No. 4.1, it was discovered that the four factors

1 used were based on a 2001 test year. This will result in a mismatch of revenues and
2 expenses in the 2006 test year and is incorrect to use. Staff used the 2006 test year.

3
4 **Q. Please discuss Staff's remaining adjustment to Miscellaneous Expenses.**

5 A. CCWC is a member of the Investor Owned Water Utility Association and the Water
6 Utility Association of Arizona, both organizations conduct lobbying activities and the
7 amount included in the dues paid in the test year was \$950 based on the Company's
8 response to Data Request No. 125. Staff recommends that miscellaneous expenses be
9 reduced by the \$950.

10
11 **Q. What is Staff's recommendation?**

12 A. Staff recommends increasing Miscellaneous Expenses of CCWC by \$37,214 (the sum of
13 \$38,164 less \$950) from \$1,259,948 to \$1,297,162.

14
15 **Operating Income Adjustment No. 5 – Reversal of Company Pro Forma Adjustment No. 13,**
16 **which amortizes the cost of the additional CAP Allotment.**

17 **Q. Would you please explain Staff's operating income adjustment No. 5?**

18 A. Staff's adjustment reduces the amortization expense related to the additional CAP
19 allotment by \$64,000, from \$64,000 to \$0.00. As discussed in Rate Base Adjustment No.
20 2, the additional CAP allotment purchased in 2007 is an intangible asset and not subject to
21 amortization. Consequently, the Company's Pro Forma Adjustment No. 13 is reversed by
22 Staff Adjustment No. 5. Schedule MEM-18 shows Staff's calculation of this adjustment.

23
24 **Q. What is Staff's recommendation?**

25 A. Staff recommends reducing Amortization of Additional CAP Allotment by \$64,000, from
26 \$64,000 to \$0.

Operating Income Adjustment No. 6 – Rate Case Expense.

Q. Would you please explain Staff's operating income adjustment No. 6?

A. Staff's adjustment reduces the Rate Case Expense by \$61,558 from \$144,871 to \$83,333. Schedule MEM-19 shows Staff's calculation of this adjustment.

Q. Did CCWC include Rate Case Expense only for the instant case?

A. No, part of CCWC's rate case expense in the current case is an "un-recovered" portion of from the prior rate case.

Q. What is the amount of "un-recovered" Rate Case Expense proposed by the Company?

A. The Company claimed that it is \$154,613.

Q. Please explain the difference between normalizing and amortizing?

A. When a cost is amortized, it is prorated over the number of accounting periods it is expected to benefit. Normalizing is a term used in ratemaking to flatten the effects of operating expense levels that fluctuate from year to year. The amount included in the revenue requirement for a "test year" is an amount which represents an average of several years' experience of a given expense, which then represents the amount "normally" incurred annually by the Company.

Q. Was normalizing versus amortizing of rate case expense specifically addressed in the prior rate case?

A. No. Staff recommended and the Commission approved the Company's requested amount. Amortization is used for capital items. However, this and other operating expenses are normalized therefore there is no unamortized portion.

1 Q. What has the Company proposed for Rate Case Expense in the instant case.

2 A. CCWC has projected rate case expense for the current case to be \$280,000.

3
4 Q. What is Staff recommending for current Rate Case Expense?

5 A. Based on the rate case expense approved by the Commission in cases of comparable sized
6 utilities, Staff believes that \$150,000 is an appropriate amount for recovery through just
7 and reasonable rates in the instant rate case.

8
9 **Discussion of Appeal and Remand ("Remand") Rate Case Expense.**

10 Q. What has the Company proposed for the Appeal and Remand of Commission
11 Decision No. 68176 Remand Rate Case Expense?

12 A. In a recent "Notice of Filing" (Docketed September 8, 2008) the Company has requested
13 recovery of \$258,511 for expenses incurred for the Remand proceeding, which it alleges is
14 approximately fifty-percent of the total.

15
16 Q. Did CCWC revise its proposed Remand rate case expense?

17 A. Yes, prior to its filing of September 8, 2008, the Company had agreed to only seek
18 recovery of \$100,000 of the \$300,000 in claimed expenses. Staff recommends normalizing
19 this \$100,000 cost over three-years, the same as the cost of the instant case.

20
21 Q. How is CCWC proposing recovery of Remand rate case expense?

22 A. Through a surcharge of \$0.124 per one-thousand gallons added to the Company's
23 proposed commodity rate until the \$258,511 has been collected. CCWC has estimated
24 that the surcharge would be effective for twelve months.

1 **Q. Does Staff agree with CCWC's proposed recovery methodology?**

2 A. No, because the additional revenues that will be generated from the result of the Remand
3 Case will benefit CCWC into perpetuity a twelve-month recovery period is a mis-match.
4 Staff recommends the three-year normalization period recommended in the instant case.

5
6 **Q. What is Staff's recommendation for normalizing the current Rate Case Expense?**

7 A. Staff recommends Rate Case Expense of \$150,000 for the instant case and \$100,000 for
8 the Remand Case, which equals \$250,000. Normalized over a three-year period this will
9 result in \$83,333 being included in the revenue requirement for the instant case. Schedule
10 MEM-19 shows Staff's calculation of this adjustment.

11
12 **Operating Income Adjustment No. 7 – Normalization of Chemicals Expenses**

13 **Q. Would you please explain Staff's operating income adjustment No. 7?**

14 A. Staff's adjustment reduces Chemicals Expenses by \$27,630, from \$127,457 to \$99,827.
15 Staff's regulatory audit found that Chemicals Expenses have more than doubled since
16 2003, the prior rate case test year. Because of the fluctuation, Staff believes it is
17 appropriate to normalize Chemicals Expenses by taking an average of the previous three-
18 year's expenses to mitigate any extenuating circumstances which may have lead to this
19 significant increase. Staff's regulatory audit also found that the expense balance included
20 two large invoices for chemicals delivered in late December, 2006. Schedule MEM-20
21 shows Staff's calculation of this adjustment.

22
23 **Q. What is Staff's recommendation?**

24 A. Staff recommends reducing Chemicals Expenses by \$27,630, from \$127,457 to \$99,827.
25

Operating Income Adjustment No. 8 – Normalization of Repairs and Maintenance.

Q. Would you please explain Staff's operating income adjustment No. 8?

A. Staff's adjustment decreases Repairs and Maintenance Expense by \$19,018, from \$104,609 to \$85,591. Since Repairs and Maintenance Expenses have fluctuated from \$96,152 in 2004, to \$72,640 in 2005, to \$104,609 in the test year; Staff took the three-year average of Repairs and Maintenance Expense to mitigate any extenuating circumstances which may have lead to this significant increase over 2005. Staff's regulatory audit found that \$5,543 of Pepsi Cola products were purchased in the test year for employees of the Company. In the prior rate case, the Company stated this is the type of benefit that allows the Company to attract and maintain qualified and motivated staff to better serve customer needs. Staff does not argue that this may be the case; however, Staff believes this is a cost of doing business that the shareholders should be paying for rather than the ratepayers. Thus, Staff's adjustment consists of two parts: \$13,475 to normalize Repairs and Maintenance Expense and \$5,543 to remove the cost of beverages provided to employees. Staff's calculation of this \$19,018 adjustment is shown on Schedule MEM-21.

Q. What is Staff's recommendation?

A. Staff recommends reducing Repairs and Maintenance Expense by \$19,018, from \$104,609 to \$85,591.

Operating Income Adjustment No. 9 – Normalization of General Liability Insurance Expense

Q. Would you please explain Staff's operating income adjustment No. 9?

A. Staff's adjustment increases General Liability Insurance Expense by \$3,654, from \$(1,294) to \$2,360. In response to Staff's data request MEM 1.44, the Company stated that it is self insured for deductibles less than \$500,000 and \$350,000 for general liability

1 and automobile liability, respectively, per occurrence. A Third Party Administrator
2 ("TPA") is used to administer and pay claims on behalf of American States Water
3 Company, CCWC's parent. The parent company, AWR, maintains an "Injuries and
4 Damages Reserve" that is adjusted monthly based on loss reports received from the TPA.
5 Incurred but not reported claims are also estimated and used in setting the reserve balance.
6 Although the reserve balance was zero at the end of the test year, a claim of \$2,682 was
7 paid during 2006, and Staff believes that General Liability Insurance Expense should be
8 normalized to take into consideration the fact that, on an average, claims will be made and
9 paid. For the purposes of normalizing General Liability Insurance Expense, Staff used the
10 period 2003 – 2007. Schedule MEM-22 shows Staff's calculation of this adjustment.

11
12 **Q. What is Staff's recommendation?**

13 A. Staff recommends increasing General Liability Insurance Expense by \$3,654, from
14 \$(1,294) to \$2,360.

15
16 **Operating Income Adjustment No. 10 – Outside Services Expenses**

17 **Q. What did the Company propose for outside services expense?**

18 A. The Company proposed \$266,544 as shown on Schedule MEM-23.

19
20 **Q. Did the Company include in outside services, costs that should have been capitalized
21 and depreciated?**

22 A. Yes, as Staff discussed in Rate Base Adjustment No. 6, Expensed Plant, CCWC recorded
23 as operating expenses \$37,673 in costs which, according to the NARUC USOA and the
24 matching principle, should be capitalized and depreciated as shown on Schedule MEM-23.

1 **Q. What is Staff's recommendation?**

2 A. Staff recommends decreasing outside services expense by \$37,673 representing plant that
3 should be capitalized, as shown on Schedule MEM-23.

4
5 **Q. What is the effect of expensing plant?**

6 A. If the NARUC USOA is not complied with, the result is an overstatement of operating
7 expenses and understatement of rate base. Adherence to the matching principle and the
8 NARUC USOA requires that the cost of an asset that benefits more than one accounting
9 period be capitalized (by recording it in a plant account) and depreciated over the asset's
10 useful life.

11
12 **Q. Did CCWC also include in outside services, non-recurring costs that are not**
13 **representative of an average year?**

14 A. Yes, Staff discovered payments charged to outside services for an ACC penalty related to
15 filing its Annual Report late and an appellate court filing fee. The ACC penalty was \$45
16 for late filing of the 2005 Annual Report and the appellate court cost was \$330, which
17 sums to \$375.

18
19 **Q. What is Staff's recommendation?**

20 A. Staff recommends decreasing outside services expense by \$375 for non-recurring
21 expenses.

22
23 **Q. What is Staff's overall recommendation for this account?**

24 A. Staff recommends reducing Outside Services Expenses by \$38,048, from \$266,544 to
25 \$228,496.

Operating Income Adjustment No. 11 – Water Testing Expense

Q. Would you please explain Staff's operating income adjustment No. 11?

A. Staff's adjustment reduces Water Testing by \$17,820, from \$43,458 to \$25,638. An explanation of this adjustment can be found in Table E-1 on page 17 of Staff witness Mr. Marlin Scott, Jr.'s direct testimony.

Q. What is Staff's recommendation?

A. Staff recommends reducing Water Testing by \$17,820, from \$43,458 to \$25,638 as shown on Schedule MEM-24.

Operating Income Adjustment No. 12 – Property Taxes

Q. Would you please explain Staff's operating income adjustment No. 12?

A. Staff's adjustment reduces Property Taxes by \$33,413, from \$295,813 to \$262,400. The primary difference between the Company's and Staff's Property Taxes is due to the differences in the proposed and recommended revenue requirements. Schedule MEM-25 shows Staff's calculation of Property Taxes.

Q. What is Staff's recommendation?

A. Staff recommends reducing Property Taxes by \$33,413, from \$295,813 to \$262,400.

Operating Income Adjustment No. 13 – Income Taxes

Q. Would you please explain Staff's operating income adjustment No. 13?

A. Staff's adjustment increases Income Taxes by \$197,275, from \$270,020 to \$467,295. The two main reasons for the difference between Staff's and the Company's calculation of Income Taxes is the difference in test year operating expenses and that the Company applied its weighted cost of debt to the FVRB. The appropriate calculation of

1 synchronized interest expense is made by applying the weighted cost of debt to the OCRB.
2 A company's debts do not increase due to inflation or an increase in value of the property
3 related to the debt. Therefore, applying the weighted cost of debt to the FVRB is
4 inappropriate for calculating the synchronized interest expense. Staff's calculation of
5 Income Taxes and synchronized interest expense are shown in Schedule MEM-2, Line 52,
6 Column A and Schedule MEM-2, Line 56, Column A respectively. Schedule MEM-26
7 shows Staff's calculation of the adjustment.
8

9 **Q. What is Staff's recommendation?**

10 A. Staff recommends increasing Income Taxes by \$197,275, from \$270,020 to \$467,295.
11

12 **REVENUE REQUIREMENT**

13 **Q. Would you please summarize the Company's proposed revenue requirement?**

14 A. The Company's rate filing proposes annual revenues of \$10,515,017, an increase of
15 \$3,068,317, or 41.20 percent, over test year adjusted revenues of \$7,446,700 as shown on
16 Schedule MEM-1.
17

18 **Q. Would you please summarize Staff's recommended revenue requirement?**

19 A. Staff recommends annual revenue of \$9,181,965, an increase of \$1,735,265, or 23.30
20 percent, over test year adjusted revenues of \$7,446,700, as shown on Schedule MEM-1.
21

22 **BASIS FOR REVENUE REQUIREMENT**

23 **Q. How did Staff calculate its recommended revenue requirement?**

24 A. The appropriate revenue requirement is the result of multiplying the Staff recommended
25 FVRB (as per Schedule MEM FVRB-2) by the Staff recommended Fair Value Rate of
26 Return.

1 **RATE DESIGN**

2 **Q. Have you prepared a schedule summarizing the present, Company proposed, and**
3 **Staff recommended rates and service charges?**

4 A. Yes. A summary of the present, Company proposed, and Staff recommended rates and
5 service charges are provided on Schedule MEM-27.

6
7 **Q. Would you please summarize the present rate design?**

8 A. The present monthly minimum charges by meter size are as follows: 3/4-inch \$13.60; 1-
9 inch \$22.70; 1 1/2-inch \$45.40; 2-inch \$73.00; 3-inch \$146.00; 4-inch \$227.00; 6-inch
10 \$454.00; 8-inch \$730.00; 10-inch \$1,043.00; and 12-inch \$1,980.00. No gallons are
11 included in the monthly minimum charge. The present residential commodity rate is
12 \$1.68 per thousand gallons for zero to 3,000 gallons, \$2.52 per thousand gallons for 3,001
13 to 9,000 gallons, and \$3.03 per thousand gallons for any consumption over 9,000 gallons.
14 The present commercial and industrial commodity rate tiers vary by meter size, but are
15 generally \$2.52 per thousand gallons for the first tier, and \$3.03 per thousand gallons for
16 any consumption over the first tier.

17
18 For irrigation customers, the monthly minimum charge is the same based upon meter size
19 with zero gallons included in the monthly minimum charge and a commodity rate of \$1.56
20 per thousand gallons.

21
22 The charge for fire sprinkler service is \$10.00 per month regardless of meter size. The
23 commodity rates for sprinkler service is the same as residential, commercial and
24 industrial. There are zero gallons included in the monthly minimum charge.

1 **Q. Would you please summarize the Company's proposed rate design?**

2 A. The Company's proposed monthly minimum charges by meter size are as follows: 3/4-
3 inch \$18.56; 1-inch \$30.97; 1 1/2-inch \$71.95; 2-inch \$99.61; 3-inch \$199.21; 4-inch
4 \$309.74; 6-inch \$619.47; 8-inch \$996.07; 10-inch \$1,423.15; and 12-inch \$2,701.67.
5 Zero gallons are included in the monthly minimum charge. The Company proposes a
6 residential commodity rate of \$2.292 per thousand gallons for zero to 3,000 gallons,
7 \$3.438 per thousand gallons for 3,001 to 9,000 gallons, and \$4.134 per thousand gallons
8 for any consumption over 9,000 gallons. The proposed commercial and industrial
9 commodity rate tiers vary by meter size, but are generally \$3.438 per thousand gallons for
10 the first tier, and \$4.134 per thousand gallons for any consumption over the first tier.

11
12 For irrigation customers, the Company's proposed monthly minimum charge is the same
13 based upon meter size with zero gallons included in the monthly minimum charge and a
14 commodity rate of \$3.438 per thousand gallons.

15
16 The proposed charge for fire sprinkler service remains at \$10.00 per month regardless of
17 meter size. The commodity rate for fire sprinkler service for all consumption is \$3.438
18 per thousand gallons. There are zero gallons included in the monthly minimum charge.

19
20 The Company is proposing that customers that use fire hydrants as a source of water for
21 irrigation or construction should also pay a meter charge. This results in a substantial
22 increase as the customer would pay the 3-inch monthly minimum of \$199.21.

1 **Q. Does Staff agree with the Company's proposal that fire hydrant meters be charged a**
2 **monthly minimum based on meter size?**

3 A. No, unless the customer owns, or retains possession of the meter. A customer using a
4 meter on a fire hydrant is usually only connected to the system for a short time period and
5 pays the same rate for all gallons consumed and this is intended to compensate for the
6 additional demand placed on the system.

7
8 **Q. Does the Company currently have a hook-up fee charge?**

9 A. Yes.

10
11 **Q. Does the CCWC propose any changes to the current hook-up fee?**

12 A. CCWC proposes to maintain the same level of fee but to treat all funds collected as CIAC.

13
14 **Q. What is Staff's recommendation?**

15 A. Staff recommends that the amounts collected by the Company pursuant to the off-site
16 hook-up fee charge shall be non-refundable CIAC, as this is the typical regulatory
17 treatment of hook-up fee charges of this nature. Staff also recommends that all funds
18 collected by the Company as off-site hook-up fees be deposited into a separate interest
19 bearing account and used solely for the purposes of paying for the costs of the off-site
20 facilities, including repayment of loans obtained for the installation of off-site facilities
21 that will benefit the entire water system, and that the Company shall annually file, by
22 February 28th, a calendar year report with Docket Control of the ACC, detailing all
23 changes in the account.

1 **Q. In addition to including the 2008 CAP allocation in rate base and earning a return on**
2 **it, has the Company also proposed a hook-up fee to recover costs related to the**
3 **allocation?**

4 A. Yes. The Company has proposed a "CAP Hook-up Fee" on new water installations as
5 shown on Schedule H-3, page 3, lines 22 and 30.

6
7 **Q. Is it appropriate to use a hook-up fee to reimburse the Company for a CAP**
8 **allocation?**

9 A. No, it is not. Hook up fees are intended to fund back-bone plant. The CAP allocation has
10 been fully paid for by the Company and is not back-bone plant. Additionally, if CCWC
11 decides to give up this allotment, it will be reimbursed by CAWCD and U. S. Bureau of
12 Reclamation for the capital costs paid during the time the allotment was held. The CAP
13 hook-up fee would allow the Company to potentially receive the CAP allocation cost
14 twice, thus, its use as a reimbursement mechanism is not appropriate.

15
16 **Q. What is Staff recommending?**

17 A. Staff recommends denial of the CAP hook-up fee tariff.

18
19 **Q. Has the Company also proposed any other inappropriate charges?**

20 A. Yes. The Company has proposed that gross-up taxes be included with service line and
21 meter installation charges as shown on Schedule H-3, page 4, lines 27 - 29.

22
23 **Q. Has the Company given a justification for this proposal?**

24 A. Yes. The Company has made the following statement: "As meters and service lines are
25 now taxable income for income purposes, the Company shall collect income taxes on the

1 meter and service line charges. Any tax collected will be refunded each year as the meter
2 deposit is refunded.”

3
4 **Q. Does Staff agree with the Company's proposal?**

5 A. No. The Company has not cited the authority for declaring that meter and service lines are
6 now taxable income and Staff is not aware of any ACC rules changes or changes in the
7 Internal Revenue Service Regulations mandating this treatment.

8
9 **Q. What is Staff recommending?**

10 A. Staff recommends denial of the tariff provision allowing meter and service line installation
11 charges to be grossed-up for income taxes.

12
13 **Q. Would you please summarize Staff's recommended rate design?**

14 A. Yes. Staff recommends the Staff's rates and charges presented on Schedule MEM-27.
15 Briefly, Staff's recommended monthly minimum charges by meter size are as follows:
16 3/4-inch \$15.00; 1-inch \$25.00; 1 1/2-inch \$48.00; 2-inch \$77.00; 3-inch \$150.00; 4-inch
17 \$230.00; 6-inch \$460.00; 8-inch \$925.00; 10-inch \$1,300.00; and 12-inch \$2,300.00.
18 Zero gallons are included in the monthly minimum charge. Staff recommends an inverted
19 tier rate design that consists of three tiers for the residential commodity rate of \$1.85 per
20 thousand gallons for zero to 3,000 gallons, \$2.92 per thousand gallons for 3,001 to 9,000
21 gallons, and \$3.33 per thousand gallons for any consumption over 9,000 gallons. The
22 additional tier for the residential 3/4-inch meters is for the first 3,000 gallons, an estimate
23 of residential non-discretionary use. Except for the 3,000 gallon break-over point for the
24 non-discretionary tier, break-over points increase by meter size. Staff's recommended
25 commercial and industrial commodity rate tiers vary by meter size, but are generally \$2.92

1 per thousand gallons for the first tier, and \$3.33 per thousand gallons for any consumption
2 over the first tier.

3
4 Also, Staff's recommended rates have increased the irrigation rate to \$2.75 for all gallons.
5 This rate is a smaller increase than that proposed by the Company and moves irrigation
6 customers' rates closer to the commodity rates paid by other customers.

7
8 Efficiency in water use is encouraged by producing a higher customer bill with increased
9 consumption or use of a larger meter. A typical bill analysis for residential 3/4 inch meter
10 customer is provided in Schedule MEM-28, and typical bills for average and median use
11 under present, Company proposed, and Staff recommended rates are presented on
12 Schedule MEM-29.

13
14 **Q. What is the rate impact on a 3/4-inch meter residential customer using an average**
15 **consumption of 8,450 gallons?**

16 **A.** The average usage of residential 3/4-inch meter customers is 8,450 gallons per month.
17 The average residential 3/4-inch meter customer would experience an \$11.79 or 36.41
18 percent increase in his/her monthly bill from \$32.37 to \$44.16 under the Company's
19 proposed rates and a \$4.09 or 12.63 percent increase in his/her monthly bill from \$32.37
20 to \$36.46 under Staff's recommended rates.

21
22 **Q. What is the rate impact on a 3/4-inch meter residential customer using a median**
23 **consumption of 5,500 gallons?**

24 **A.** The median usage of residential 3/4-inch meter customers is 5,500 gallons per month. The
25 average residential 3/4-inch meter customer would experience a \$9.09 or 36.43 percent
26 increase in his or her monthly bill from \$24.94 to \$34.03 under the Company's proposed

1 rates and a \$2.91 or 11.67 percent increase in his/her monthly bill from \$24.94 to \$27.85
2 under Staff's recommended rates.

3
4 **Q. Did Decision No. 70441 authorize a surcharge allowing CCWC to collect the**
5 **additional revenues not collected during the time period of the Appeal and Remand**
6 **process?**

7 **A. Yes, and Staff will address this in Surrebuttal Testimony.**
8

9 **CONSUMER SERVICES**

10 **Q. Please provide a brief history of customer complaints received by the Commission**
11 **regarding the Company. Additionally, please discuss customer responses to**
12 **Chaparral City's proposed rate increase.**

13 **A. Staff reviewed the Commission's records and found 12 complaints, 8 inquiries and 26**
14 **opinions during the past three and three quarters' years. The complaints concerned 12**
15 **billing issues. The Company is in good standing with the Corporations Division of the**
16 **Commission. Consumer Services has received 26 opinions through September 11, 2008,**
17 **all opposed to the Company's proposed rate increases.**
18

19 **Q. Does this conclude your direct testimony?**

20 **A. Yes, it does.**

CHAPARRAL CITY WATER COMPANY, INC.
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Test Year Ended December 31, 2006

DIRECT TESTIMONY OF MARVIN MILLSAP

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CHAPARRAL CITY WATER COMPANY, INC.
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Schedule MEM-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 28,768,975	\$ 27,050,414
2	Adjusted Operating Income (Loss)	\$ 797,271	\$ 1,003,088
3	Current Rate of Return (L2 / L1)	2.77%	3.71%
4	Required Rate of Return	9.32%	7.60%
5	Required Operating Income (L4 * L1)	\$ 2,681,268	\$ 2,055,831
6	Operating Income Deficiency (L5 - L2)	\$ 1,883,997	\$ 1,052,744
7	Gross Revenue Conversion Factor	1.6286	1.6483
8	Required Revenue Increase (L7 * L6)	\$ 3,068,317	\$ 1,735,265
9	Adjusted Test Year Revenue	\$ 7,446,700	\$ 7,446,700
10	Proposed Annual Revenue (L8 + L9)	\$ 10,515,017	\$ 9,181,965
11	Required Increase in Revenue (%)	41.20%	23.30%

References:

Column (A): Company Schedule A-1
Column (B): Staff Schedule MEM-3.1

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.3324%			
5	Subtotal (L3 - L4)	60.6676%			
6	Revenue Conversion Factor (L1 / L5)	1.648327			
<u>Calculation of Uncollectible Factor</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 23)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0.0000%			
<u>Calculation of Effective Tax Rate</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 55)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 + L16)		38.5989%		
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (L17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%			
21	Property Tax Factor (MEM-16, L21)	1.1947%			
22	Effective Property Tax Factor (L20*L21)		0.7335%		
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.3324%	
24	Required Operating Income (Schedule MEM-1, Line 5)	\$ 2,055,831			
25	Adjusted Test Year Operating Income (Loss) (Schedule MEM-11, Line 28)	1,003,088			
26	Required Increase in Operating Income (L24 - L25)		\$ 1,052,744		
27	Income Taxes on Recommended Revenue (Col. [E], L52)	\$ 1,129,086			
28	Income Taxes on Test Year Revenue (Col. [B], L52)	467,295			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		661,791		
30	Recommended Revenue Requirement (Schedule MEM-1, Line 10)	\$ 9,181,965			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L30*L31)	\$ -			
33	Adjusted Test Year Uncollectible Expense	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32-L33)				
35	Property Tax with Recommended Revenue (MEM-16, Col B, L16)	\$ 283,131			
36	Property Tax on Test Year Revenue (MEM-16, Col A, L16)	262,400			
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		20,731		
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		\$ 1,735,265		
<u>Calculation of Income Tax</u>					
39	Revenue (Schedule MEM-11, Col. [C], Line 5 & Sch. MEM-1, Col. [D] Line 10)	\$ 7,446,700	\$ 1,735,265		Staff Recommended
40	Operating Expenses Excluding Income Taxes	\$ 5,976,317			\$ 5,997,048
41	Synchronized Interest (L56)	\$ 259,739			\$ 259,739
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 1,210,645			\$ 2,925,179
43	Arizona State Income Tax Rate	6.9680%			6.9680%
44	Arizona Income Tax (L42 x L43)	\$ 84,358			\$ 203,827
45	Federal Taxable Income (L42 - L44)	\$ 1,126,287			\$ 2,721,353
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 7,500			\$ 7,500
47	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ 6,250			\$ 6,250
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ 8,500			\$ 8,500
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ 91,650			\$ 91,650
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ 269,038			\$ 811,360
51	Total Federal Income Tax	\$ 382,938			\$ 925,260
52	Combined Federal and State Income Tax (L44 + L51)	\$ 467,295			\$ 1,129,086
53	Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45]			34.0000%	
<u>Calculation of Interest Synchronization</u>					
54	Rate Base (Schedule MEM-3, Col. (C), Line 17)	\$ 21,644,877			
55	Weighted Average Cost of Debt (Schedule MEM-17, Col. [F], L1 + L2)	1.2000%			
56	Synchronized Interest (L45 X L46)	\$ 259,739			

CHAPARRAL CITY WATER COMPANY, INC.
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Schedule MEM FVRB -1

FAIR VALUE RATE BASE COMPARISON - COMPANY VS STAFF

LINE NO.	(A) COMPANY AS FILED	(B) STAFF AS ADJUSTED	(C) DIFFERENCE
1 Plant in Service	\$ 66,310,296	\$ 64,803,291	\$ (1,507,005)
2 Less: Accumulated Depreciation	20,885,854	18,616,394	(2,269,460)
3 Net Plant in Service	<u>\$ 45,424,442</u>	<u>\$ 46,186,897</u>	<u>\$ 762,455</u>
4			
5 <u>LESS:</u>			
6			
7 Contributions in Aid of Construction (CIAC)			
8 Less: Accumulated Amortization			
9 Net CIAC	\$ 7,780,241	\$ 7,780,241	\$ (0)
10			
11 Advances in Aid of Construction (AIAC)	8,394,501	8,394,501	(0)
12			
13 Customer Meter Deposits	819,845	819,845	-
14			
15 Deferred Income Tax Credits	925,896	925,896	-
16			
17 Shared Gain on Well	646,000	1,216,000	570,000
18			
19 <u>ADD:</u>			
20			
21 Unamortized Debt Issuance Costs	424,010	-	(424,010)
22			
23 Prepayments	192,485	-	(192,485)
24			
25 Materials and Supplies	14,521	-	(14,521)
26			
27 Deferred Regulatory Assets	1,280,000	-	(1,280,000)
28			
29 Working Capital	-	-	-
30			
31			
32 Original Cost Rate Base	<u>\$ 28,768,975</u>	<u>\$ 27,050,414</u>	<u>\$ (1,718,560)</u>

References:

Column (A), Company Schedule B-1
Column (B): Schedule MEM FVRB-2
Column (C): Column (A) - Column (B)

CHAPARRAL CITY WATER COMPANY, INC.
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Schedule MEM FVRB -2

FAIR VALUE RATE BASE COMPUTATION - COMPANY AND STAFF

LINE NO.	(A) COMPANY AS FILED	(B) STAFF AS ADJUSTED
1 OCN Rate Base per MEM-3	\$ 22,770,304	\$ 21,644,877
2 RCN Rate Base per MEM RCN -1	34,767,581	32,455,951
3		
4	<u>\$ 57,537,885</u>	<u>\$ 54,100,828</u>
5 OCN and RCN weighted 50% each to		
6 calculate Fair Value Rate Base (FVRB)	<u>\$ 28,768,943</u>	<u>\$ 27,050,414</u>

References:

Column (A), Schedule MEM 3

Column (B): Schedule MEM RCN-1

CHAPARRAL CITY WATER COMPANY, INC.
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Schedule MEM FVRB -3

FAIR VALUE RATE BASE COMPUTATION - STAFF

LINE NO.	(A) STAFF OCN AS ADJUSTED	(B) STAFF RCN AS ADJUSTED	(C) STAFF FAIR VALUE RATE BASE
1 Plant in Service	\$ 51,128,062	\$ 78,478,520	\$ 64,803,291
2 Less: Accumulated Depreciation	13,845,072	23,387,716	18,616,394
3 Net Plant in Service	<u>\$ 37,282,990</u>	<u>\$ 55,090,804</u>	<u>\$ 46,186,897</u>
4			
5 <u>LESS:</u>			
6			
7 Contributions in Aid of Construction (CIAC)	\$ -		\$ -
8 Less: Accumulated Amortization	-		-
9 Net CIAC	<u>\$ 6,119,129</u>	<u>\$ 9,441,352</u>	<u>\$ 7,780,241</u>
10	\$ -		
11 Advances in Aid of Construction (AIAC)	6,557,243	10,231,760	8,394,502
12	-		
13 Customer Meter Deposits	819,845	819,845	819,845
14	-		
15 Deferred Income Tax Credits	925,896	925,896	925,896
16	-		
17 Well Settlement Proceeds	1,216,000	1,216,000	1,216,000
18			
19 <u>ADD:</u>	-	-	-
20			
21 Unamortized Debt Issuance Costs	-	-	-
22			
23 Prepayments	-	-	-
24			
25 Materials and Supplies	-	-	-
26			
27 Deferred Regulatory Assets	-	-	-
28			
29 Working Capital	-	-	-
30			
31			
32	<u>\$ 21,644,877</u>	<u>\$ 32,455,951</u>	<u>\$ 27,050,414</u>

References:

Column (A), Schedule MEM 3.2

Column (B): Schedule MEM RCN-1

Column (C): Column (A) + Column (B) divided by 2

CHAPARRAL CITY WATER COMPANY, INC.
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Schedule MEM-3

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	Adj. No.	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 51,804,423		\$ 51,128,062
2	Less: Accumulated Depreciation	15,877,022		13,845,072
3	Net Plant in Service	<u>\$ 35,927,401</u>		<u>\$ 37,282,990</u>
<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ -		\$ 6,288,097
5	Less: Accumulated Amortization	-		168,968
6	Net CIAC	<u>6,119,129</u>		<u>\$ 6,119,129</u>
7	Advances in Aid of Construction (AIAC)	6,557,243		6,557,243
8	Customer Meter Deposits	819,845		819,845
9	Deferred Income Tax Credits	925,896		925,896
10	Shared Gain on Well	646,000	570,000 1	1,216,000
<u>ADD:</u>				
11	Unamortized Debt Issuance Costs	424,010	(424,010) 5	-
12	Prepayments	192,485	(192,485) 5	-
13	Materials and Supplies	14,521	(14,521) 5	-
14	Deferred Regulatory Assets	1,280,000	(1,280,000) 2	-
15	Working Capital	-	-	-
16	Original Cost Rate Base	<u>\$ 22,770,304</u>	<u>\$ (1,125,427)</u>	<u>\$ 21,644,877</u>

References:

Column (A), Company Schedule B-1
Column (B): Schedule MEM-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) Well Settlement ADJ.#1	(C) CAP Allocation ADJ.#2	(D) GO Plant ADJ.#3	(E) Acc Depr ADJ.#4	(F) Working Capital/Depreciate Expenses ADJ.#5	(G) Retire Wells ADJ.#7	(H) STAFF ADJUSTED
PLANT IN SERVICE:										
1	301	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchises	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	305,920	-	1,280,000	-	-	(34,062)	1,551,658	-
5	305	Collecting & Impounding Reservoirs	1,518,648	-	-	-	-	11,590	1,529,642	-
6	306	Lakes, Rivers, Other Intakes	6,548	-	-	-	-	-	-	-
7	307	Wells and Springs	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries and Tunnels	332,065	-	-	-	-	(172,438)	159,627	-
9	309	Supply Mains	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	1,506,908	-	-	-	-	26,084	1,588,246	-
12	312	Water Treatment Plant	7,763,500	-	-	-	-	(1,976,860)	5,786,640	-
13	320	Distribution Reservoirs & Standpipes	8,170,420	-	-	-	-	(1,658,272)	6,512,148	-
14	330	Transmission & Distribution Mains	17,450,634	-	-	-	-	1,502,420	18,953,054	-
15	331	Services	7,389,930	-	-	-	-	106,409	7,496,339	-
16	333	Meters & Meter Installation	2,725,673	-	-	-	-	11,193	2,736,866	-
17	334	Hydants	1,171,633	-	-	-	-	53,352	1,224,985	-
18	335	Backflow Prevention Devices	-	-	-	-	-	-	-	-
19	336	Other Plant & Misc. Equipment	1,610,687	-	-	-	-	106,542	1,717,229	-
20	339	Office Furniture & Equipment	270,359	-	-	-	-	1,814	272,173	-
21	340	Transportation Equipment	535,315	-	-	-	-	-	535,315	-
22	341	Stores Equipment	-	-	-	-	-	-	-	-
23	342	Tools, Ship & Garage Equipment	149,365	-	-	-	-	-	149,365	-
24	343	Laboratory Equipment	-	-	-	-	-	-	-	-
25	344	Power Operated Equipment	-	-	-	-	-	-	-	-
26	345	Communication Equipment	39,105	-	-	-	-	-	39,105	-
27	346	Miscellaneous Equipment	106,542	-	-	-	-	(106,542)	-	-
28	347	Other Tangible Plant	-	-	-	-	-	-	-	-
29	348	-	-	-	-	-	-	-	-	-
30			51,053,252	-	1,280,000	-	-	37,674	(2,118,334)	50,252,992
31			-	-	-	-	-	-	-	-
32			-	-	-	-	-	-	-	-
33		General Office Plant Allocation	751,171	-	-	124,299	-	-	-	875,470
34	Add:		-	-	-	-	-	-	-	-
35			-	-	-	-	-	-	-	-
36			-	-	-	-	-	-	-	-
37			-	-	-	-	-	-	-	-
38			-	-	-	-	-	-	-	-
39		Total Plant in Service	\$ 51,804,423	\$ -	\$ 1,280,000	\$ 124,299	\$ -	\$ 37,674	\$ (2,118,334)	\$ 51,128,062
40		Less: Accumulated Depreciation	15,877,022	-	-	-	(2,031,950)	-	-	13,845,072
41			-	-	-	-	-	-	-	-
42		Net Plant in Service (L59 - L 60)	\$ 35,927,401	\$ -	\$ 1,280,000	\$ 124,299	\$ 2,031,950	\$ 37,674	\$ (2,118,334)	\$ 37,282,990
43			-	-	-	-	-	-	-	-
44		LESS:	-	-	-	-	-	-	-	-
45		Contributions in Aid of Construction (CIAC)	-	-	-	-	-	-	-	-
46		Less: Accumulated Amortization	-	-	-	-	-	-	-	-
47		Net CIAC (L25 - L26)	6,119,129	-	-	-	0	-	-	6,119,129
48		Advances in Aid of Construction (AIAC)	6,557,243	-	-	-	-	-	-	6,557,243
49		Customer Meter Deposits	819,845	-	-	-	-	-	-	819,845
50		Deferred Income Taxes	925,898	-	-	-	-	-	-	925,898
51		Shared Gain on Well (Settlement Agreement Not to Use Wells)	646,000	570,000	-	-	-	-	-	1,216,000
52			-	-	-	-	-	-	-	-
53		ADD:	-	-	-	-	-	-	-	-
54		Unamortized Debt Issuance Costs	424,010	-	-	-	(424,010)	-	-	-
55		Prepayments	192,485	-	-	-	(192,485)	-	-	-
56		Materials and Supplies	14,521	-	(1,280,000)	-	(14,521)	-	-	-
57		Deferred Regulatory Assets	1,280,000	-	-	-	-	-	-	-
58		Working Capital	-	-	-	-	-	-	-	-
59			-	-	-	-	-	-	-	-
60		Original Cost Rate Base	\$ 22,770,304	\$ (570,000)	\$ -	\$ 124,299	\$ 2,031,950	\$ 37,674	\$ (2,118,334)	\$ 21,644,077

ADJ.# 1 Allocate 100% of Well Settlement Proceeds to Ratepayers.
2 CAP Allowment Reclassified to Account 303.
3 Increase General Office Allocation to 4.0%.
4 Recalculation of Accumulated Depreciation.
5 Eliminate Working Capital Components
6 Capitalize Outside Services Expenses
7 Retire Wells 8 & 9 that are no longer used and useful

References:

Schedule MEM-5
Schedule MEM-6
Schedule MEM-7
Schedule MEM-8
Schedule MEM-9
Schedule MEM-10
Schedule MEM-11

RATE BASE ADJUSTMENT #1 - Adjustment to recognize the Well Settlement Proceeds as a regulatory liability that is allocated 100 percent to the ratepayers and subject of a ten year amortization period.

Line No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Well settlement proceeds mischaracterized as "Shared gain on well."	\$ 646,000	\$ 570,000	\$ 1,216,000
2				
3				
4	<u>References:</u>			
5	Col [A]: Company Schedule B-2			
6	Col [B]: Col [C] - Col [A]			
7	Col [C]: Explanation below. Testimony - MEM.			
8				
9				
10				
11				
12				
13				
14				
15	Explanation of Adjustment:			
16	Agreement signed 02/05/2005 with Fountain Hills Sanitation District to take Wells 8 & 9 out of service due to			
17	possible contamination from sewage treatment facility in exchange for \$1,520,000. Proceeds to be allocated 100% to ratepay			
18	because the wells were fully depreciated, thus the original cost had been paid by the depreciation included in rates throughout			
19	the 30 year useful life assigned, which expired in 2001 and 2002. To be amortized over 10 years.			
20				
21				
22	Original Amount of settlement proceeds.			\$ 1,520,000
23	2005 amortization			(152,000)
24	2006 amortization			(152,000)
25				
26	Test year-end balance			\$ 1,216,000

CHAPARRAL CITY WATER COMPANY, INC.
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Schedule MEM - 5

RATE BASE ADJUSTMENT #1 - Adjustment to recognize the Well Settlement Proceeds as a regulatory liability that is allocated 100 percent to the ratepayers and subject of a ten year amortization period.

Line No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Well settlement proceeds mischaracterized as "Shared gain on well."	\$ 646,000	\$ 570,000	\$ 1,216,000
2				
3				
4	<u>References:</u>			
5	Col [A]: Company Schedule B-2			
6	Col [B]: Col [C] - Col [A]			
7	Col [C]: Explanation below. Testimony - MEM.			
8				
9				
10				
11				
12				
13				
14				
15	Explanation of Adjustment:			
16	Agreement signed 02/05/2005 with Fountain Hills Sanitation District to take Wells 8 & 9 out of service due to			
17	possible contamination from sewage treatment facility in exchange for \$1,520,000. Proceeds to be allocated 100% to ratepay			
18	because the wells were fully depreciated, thus the original cost had been paid by the depreciation included in rates throughout			
19	the 30 year useful life assigned, which expired in 2001 and 2002. To be amortized over 10 years.			
20				
21				
22	Original Amount of settlement proceeds.			\$ 1,520,000
23	2005 amortization			(152,000)
24	2006 amortization			(152,000)
25				
26	Test year-end balance			\$ 1,216,000

RATE BASE ADJUSTMENTS #2 - Reclassify additional CAP Allocation purchased that is an intangible asset in the form of a water right.

Line No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Deferred Regulatory Assets	\$ 1,280,000	\$ (1,280,000)	\$ -

References:

Col [A]: Company Schedule B-1
Col [B]: Col [C] - Col [A]
Col [C]: Testimony - MEM.

Explanation of Staff Adjustment

Staff has determined that approximately 50% of the additional CAP Allocation of 1,931 acre feet of water purchased in 2007 will be used and useful by 2012. The contract with CAWCD and CAP for water deliveries is 100 years with renewal provisions so the purchase has the characteristics of an intangible asset similar to water rights associated with land. Given its attributes, this purchase should not be treated as having a value which is consumed over time and benefits future periods. The purpose of this adjustment is to reclassify the cost of the CAP Allocation to NARUC Account #303, Land and Land Rights.

NOTE: This adjustment also applies to the RCN schedules.

RATE BASE ADJUSTMENT #3 - Reduce General Office plant for disallowed items and increase four-factor allocation to 4%.

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED	[D]	[E]
1		General office plant allocation	\$ 751,171	\$ 124,299	\$ 875,469		
2		Totals	\$ 751,171	\$ 124,299	\$ 875,469		

[A]: Company Schedule B-2, Page 3 and B-3, Page 3 and below Line 26, Column C.

[B]: Testimony - MEM and below calculations and Line 47, Column E.

[C]: Col [B] + Col [A]

Explanation of Staff Adjustment

10 As Originally Filed:

	Per Exhibit Schedule B-2, Page 3	Allocation Factor	Original Allocation
12 Home Office Plant Allocated	16,452	3.21%	528
13 301 Organization	1,089,237	3.21%	34,965
14 302 Franchise Cost and Other Intangible Plant	5,802,813	3.21%	186,270
15 304 Structures & Improvements	(916)	3.21%	(29)
16 311 Electric Pumping Equipment	847,382	3.21%	27,201
17 339 Other Plant & Misc. Equipment	14,268,765	3.21%	458,027
18 340 Office Furniture & Equipment	552,719	3.21%	17,742
19 341 Transportation Equipment	405,643	3.21%	13,021
20 343 Tools, Ship & Garage Equipment	4,061	3.21%	130
21 344 Laboratory Equipment	249,261	3.21%	8,001
22 345 Power Operated Equipment	165,561	3.21%	5,315
23 346 Communication Equipment		3.21%	-
24 Note Below			-
25	<u>23,400,978</u>		<u>751,171</u>

	Per Exhibit Schedule B-2, Page 3	Staff Adjustment A	Adjusted for Allocation	Allocation Factor	Staff Recommended
29 Home Office Plant Allocated	16,452		16,452	4.00%	658
30 301 Organization	1,089,237	(420,000)	669,237	4.00%	26,769
31 302 Franchise Cost and Other Intangible Plant	5,802,813		5,802,813	4.00%	232,113
32 304 Structures & Improvements	(916)		(916)	4.00%	(37)
33 311 Electric Pumping Equipment	847,382	(820,254)	27,128	4.00%	1,085
34 339 Other Plant & Misc. Equipment	14,268,765		14,268,765	4.00%	570,751
35 340 Office Furniture & Equipment	552,719	(274,001)	278,718	4.00%	11,149
36 341 Transportation Equipment	405,643		405,643	4.00%	16,226
37 343 Tools, Ship & Garage Equipment	4,061		4,061	4.00%	162
38 344 Laboratory Equipment	249,261		249,261	4.00%	9,970
39 345 Power Operated Equipment	165,561		165,561	4.00%	6,622
40 346 Communication Equipment				4.00%	-
41 Note Below					-
42	<u>23,400,978</u>	<u>(1,514,255)</u>	<u>21,886,723</u>		<u>875,469</u>
43				As originally filed	<u>751,171</u>

Staff Adjustment to Increase General Office Plant

124,299

47 Items Removed from General Office Plant In Staff Adjustment:

48 CPUC Management Audit - Completed in 1995, thus not applicable to CCWC.	420,000
49 Water Management Plans - Completed in 1998, thus not applicable to CCWC.	820,254
50 Luxury Vehicles - Detail listed below.	274,001
51	<u>1,514,255</u>

54 Note: Consultant's schedule of GO Plant is \$7,979 less than the listing in AWR's GL as furnished by the Company. Due to its immateriality Staff did not investigate this difference.

Vehicles Found by Staff to be Imprudent	Date Acquired	Price	Accum. Depr.
60 Ford Explorer - 2004	3/26/2004	\$ 45,639 Per MEM DR 7.5	5,988
61 Infiniti GX35 - 2004	8/13/2004	\$ 40,039 Per MEM DR 7.5	5,253
62 Ford Expedition - 2004	8/13/2004	\$ 40,785 Per MEM DR 7.5	5,351
63 Acura MDX 2001	11/21/2002	\$ 38,319 Per MEM DR 7.5	10,055
64 Infiniti QX4	12/11/2002	\$ 50,077 Per MEM DR 7.5	13,140
65 Audi S4 Avant - 2005	7/6/2005	\$ 59,143 Per MEM DR 7.5	3,880
66		<u>\$ 274,001</u>	<u>\$ 43,667</u>

RATE BASE ADJUSTMENT #4 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT A	[C] STAFF ADJUSTMENT B	[D] TOTAL OF STAFF ADJUSTMENTS	[E] STAFF RECOMMENDED
1	General office plant allocation	\$ 15,877,022	\$ 84,561	\$ 2,116,511	\$ (2,031,950)	13,845,072
2	Totals	\$ 15,877,022	\$ 84,561	\$ 2,116,511	\$ (2,031,950)	\$ 13,845,072

[A]: Company Schedule B-2, Page 3 and B-3, Page 3 and below Line 63, Column C.
[B]: Testimony - MEM and below calculations and Line 99, Column E.
[C]: Testimony - MEM and below calculations and line 175, Column E.
[D]: Col [B] + Col [C]
[E]: Testimony - MEM

11			CCWC Plant OCN
12			Accum. Depr.
13	Acct.		Per Exh. Sch.
14	No.	Description	B-2 Page 3d
15	301	Organization	-
16	302	Franchises	-
17	303	Land and Land Rights	-
18	304	Structures & Improvements	357,961
19	305	Collecting & Impounding Reservoirs	573
20	306	Lakes, Rivers, Other Intakes	-
21	307	Wells and Springs	183,252
22	308	Infiltration Galleries and Tunnels	-
23	309	Supply Mains	-
24	310	Power Generation Equipment	-
25	311	Pumping Equipment	879,456
26	320	Water Treatment Plant	2,304,464
27	330	Distribution Reservoirs & Standpipes	1,996,014
28	331	Transmission & Distribution Mains	7,154,728
29	333	Services	1,060,764
30	334	Meters & Meter Installation	990,763
31	335	Hydrants	235,514
32	336	Backflow Prevention Devices	-
33	339	Other Plant & Misc. Equipment	135,962
34	340	Office Furniture & Equipment	45,958
35	341	Transportation Equipment	60,636
36	342	Stores Equipment	-
37	343	Tools, Ship & Garage Equipment	34,980
38	344	Laboratory Equipment	25
39	345	Power Operated Equipment	-
40	346	Communication Equipment	883
41	347	Miscellaneous Equipment	31,899
42	348	Other Tangible Plant	-
43			15,473,832
44		Rounding	2
45		Total CCWC Plant Accumulated Depreciation Per Exhibit Schedule B-2. Page 3d.	15,473,834

48			Per Exhibit	Allocation	
49	General Office Plant Allocated - Accum Depr OCN	Schedule B-4-A	Factor	Allocation	
50	301 Organization	3,046	3.21%	98	
51	302 Franchise Cost and Other Intangible Plant	211,596	3.21%	6,792	
52	304 Structures & Improvements	2,354,430	3.21%	75,577	
53	311 Electric Pumping Equipment		3.21%	-	
54	339 Other Plant & Misc. Equipment	162,569	3.21%	5,218	
55	340 Office Furniture & Equipment	8,664,647	3.21%	278,135	
56	341 Transportation Equipment	552,718	3.21%	17,742	
57	343 Tools, Shop & Garage Equipment	192,488	3.21%	6,179	
58	344 Laboratory Equipment	4,062	3.21%	130	
59	345 Power Operated Equipment	249,257	3.21%	8,001	
60	346 Communication Equipment	165,561	3.21%	5,315	
61	Total GO Accum. Depr. - Exh. Sch. B-2. Pg 4, Line 33.	12,560,374		403,188	
62					
63	Total Accumulated Depreciation Per Exhibit Schedule B-2. Page 1, Line 6.			15,877,022	

64 **Explanation of Staff Adjustment A**

65 As Originally Filed::

	Per Exhibit	Allocation	Original
	Sch. B-2, Page 4	Factor	Allocation
67 Home Office Plant Accumulated Depreciation			
68 301 Organization	3,046	3.21%	98
69 302 Franchise Cost and Other Intangible Plant	211,596	3.21%	6,792
70 304 Structures & Improvements	2,354,430	3.21%	75,577
71 311 Electric Pumping Equipment	-	3.21%	-
72 339 Other Plant & Misc. Equipment	162,569	3.21%	5,218
73 340 Office Furniture & Equipment	8,664,647	3.21%	278,135
74 341 Transportation Equipment	552,718	3.21%	17,742
75 343 Tools, Ship & Garage Equipment	192,488	3.21%	6,179
76 344 Laboratory Equipment	4,062	3.21%	130
77 345 Power Operated Equipment	249,257	3.21%	8,001
78 346 Communication Equipment	165,561	3.21%	5,315
79	<u>12,560,374</u>		<u>403,188</u>

	Per Exhibit	Staff	Adjusted for	Allocation	Staff
	Schedule B-2, Page 4	Adjustment A	Allocation	Factor	Recommended
83 Home Office Plant Accumulated Depreciation					
84 301 Organization	3,046	(3,046)	-	4.00%	-
85 302 Franchise Cost and Other Intangible Plant	211,596	(153,888)	57,708	4.00%	2,308
86 304 Structures & Improvements	2,354,430	-	2,354,430	4.00%	94,177
87 311 Electric Pumping Equipment	-	-	-	4.00%	-
88 339 Other Plant & Misc. Equipment	162,569	(166,019)	(3,450)	4.00%	(138)
89 340 Office Furniture & Equipment	8,664,647	-	8,664,647	4.00%	346,586
90 341 Transportation Equipment	552,718	(43,667)	509,051	4.00%	20,362
91 343 Tools, Ship & Garage Equipment	192,488	-	192,488	4.00%	7,700
92 344 Laboratory Equipment	4,062	-	4,062	4.00%	162
93 345 Power Operated Equipment	249,257	-	249,257	4.00%	9,970
94 346 Communication Equipment	165,561	-	165,561	4.00%	6,622
95	<u>12,560,374</u>	<u>(366,620)</u>	<u>12,193,754</u>		<u>487,750</u>
96			As originally filed		<u>403,188</u>
97			Add the rounding difference required to agree with the Exhibit		<u>2</u>
98			Staff Adjustment A to increase General Office Plant Accumulated depreciation to Column B, above		<u>84,561</u>

100 Items Removed from General Office Plant Accumulated Depreciation in Staff Adjustment A:

101 CRC Valuation - Inappropriate accumulated depreciation for intangible	3,046	Accum Depr
102 CPUC Management Audit - Completed in 1995, thus not applicable to CCWC.	153,888	Per DR MEM 7.4 & 7.5
103 Water Management Plans - Completed in 1998, thus not applicable to CCWC.	166,019	
104 Luxury Vehicles - Detail listed below.	<u>43,667</u>	
105	<u>366,620</u>	

	Date	Price	Accum.
Vehicles Found by Staff to be Included	Acquired		Depr.
109 Ford Explorer - 2004	3/26/2004	\$ 45,639	5,988
110 Infiniti GX35 - 2004	8/13/2004	\$ 40,039	5,253
111 Ford Expedition - 2004	8/13/2004	\$ 40,785	5,351
112 Acura MDX 2001	11/21/2002	\$ 38,319	10,055
113 Infiniti QX4	12/11/2002	\$ 50,077	13,140
114 Audi S4 Avant - 2005	7/6/2005	\$ 59,143	3,880
115		<u>\$ 274,001</u>	<u>\$ 43,667</u>

122 Explanation of Staff Adjustment B

123	Explanation of Adjustment:		
124	Agreement signed 02/05/2005 with Fountain Hills Sanitation District to take Wells 8 & 9 out of service and retire other		
125	Plant identified by Staff as not being used and useful. Also to reclassify plant and accumulated depreciation.		
126			
127	Acct.		
128	<u>No.</u>	<u>Description</u>	<u>Cost</u> <u>Accum Depr</u>
129	304	Staff adjustment to Structures and addition to accum depr based on half-year conve	11,590 (193)
130	304	Well No. 9 - Install exhaust fan	596 596
131		Subtotal	12,186 403
132			
133	307	Fully depreciated Cost of Well #8 per response to DR MEM-7.3	\$ 49,329 \$ 49,329
134	307	Fully depreciated Cost of Well #9 per response to DR MEM-7.3	54,139 54,139
135	307	Engine Well	3,348 3,348
136		Subtotal	106,816 106,816
137			
138	311	Staff adjustment to pumping equipment and addition to accum depr based on half-y	26,083 (1,630)
139		Subtotal	26,083 (1,630)
140			
141	320	CAP Plant #1 1986	1,320,562 1,320,562
142	320	CAP Plant #1 - Treatment Equipment 1987	288,612 288,612
143	320	CAP Plant #1 - Treatment Equipment 1989	397,339 397,339
144	320	CAP Plant #1 - Treatment Equipment 19889	4,409 4,409
145		Subtotal	2,010,922 2,010,922
146			
147	305	Collecting and Impounding Reservoirs	(6,548) (1,801)
148	307	Wells and Springs (250 hp sub.)	(65,622) (18,727)
149	311	Pumping Equipment (250 hp sub. In 1996 Less Fire hydrant in 1996 and DIP in 200	55,254 24,434
150	320	Water Treatment Equipment (Water Treatment Study in 2004)	34,062 2,908
151	330	Distribution Reservoirs and Standpipes (Water Services in 1996 and mains in 2005	(1,658,272) (104,710)
152	331	Transmission and Distribution Mains (16" main in 2005 and ft Blvd main in 2006)	1,502,420 46,451
153	333	Services (Water Services in 1996 less Conference Room Table and Chairs in 1993	106,409 30,253
154	334	Meters and Meter Installation (Meter installation in 1973 less service line in 1994)	11,193 16,154
155	335	Hydrants (Fire hydrant in 1996 and DIP in 2005)	53,352 10,940
156	340	Office Furniture and Equipment (Conference Room Table and Chairs in 1993)	1,814 585
157	303	Land and Land Rights (A/C #348 for RCN)	(34,062) (6,487)
158			
159	339	Other Plant & Misc. Equip.	106,542 31,889
160	347	Miscellaneous Equipment	(106,542) (31,889)
161			
162			\$ 2,156,007 \$ 2,116,511
163			
164	<u>Summary of Staff Adjustment B</u>		
165	Plant Additions -	Line 132 Structures and Improvements	(193)
166		Line 141 Pumping equipment	(1,630)
167		Subtotal of Additions	(1,823)
168	Plant Retirements -	Line 133 Structures and Improvements	596
169		Line 139 Wells and Springs	106,816
170		Line 148 Water Treatment Equipment	2,010,922
171		Subtotal of Retirements	2,118,334
172		Total reduction to Column C above	2,116,511

CHAPARRAL CITY WATER COMPANY, INC.
Docket No. W-02113A-07-0551
Test Year Ended December 31, 2006

Schedule MEM-9

RATE BASE ADJUSTMENT #5 - Eliminate Working Capital Elements

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Unamortized Debt Issuance Costs	\$ 424,010	\$ (424,010)	\$ -
2	Prepayments	192,485	(192,485)	-
3	Materials and Supplies	14,521	(14,521)	\$ -
		<u>\$ 631,016</u>	<u>\$ (631,016)</u>	<u>\$ -</u>

References:

Col [A]: Company Schedule B-2

Col [B]: Col [C] - Col [A]

Col [C]: MEM Testimony

CHAPARRAL CITY WATER COMPANY, INC.
Docket No. W-02113A-07-0551
Test Year Ended December 31, 2006

Schedule MEM-10

RATE BASE ADJUSTMENT #6 - Capitalize Outside Services Expenses

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	304	Structures and Improvements	\$ -	\$ 11,590	\$ 11,590
2	311	Electric Pumping Equipment	\$ -	\$ 26,084	\$ 26,084
3		TOTAL	\$ -	\$ 37,674	\$ 37,674
4					
5					
6					
7					
8		References:			
9		Col [A]: Company Schedule B-2			
10		Col [B]: Col [C] - Col [A]			
11		Col [C]: MEM Testimony			
12					
13		PLANT COSTS REMOVED FROM OUTSIDE SERVICES (MEM 8.1)			
14	Acct. No.	Description			Amount
15	304-Struct & Imprvmnts	New irrigation installation			\$ 2,500
16	304-Struct & Imprvmnts	Installation of 30' x 6' fencing w/pane			\$ 4,375
17	304-Struct & Imprvmnts	Professional survey for new fence lin			\$ 4,715
18		Total for Structures and Improvements			\$ 11,590
19					
20	311 - Elec Pumping Equip	Recondition motor			\$ 7,448
21	311 - Elec Pumping Equip	Removal & repair of pump			\$ 5,513
22	311 - Elec Pumping Equip	Removal & repair of motor and pump			\$ 13,123
23		Total for Electric Pumping Equipment			\$ 26,084
24					
25		Total expensed plant			\$ 37,674

RATE BASE ADJUSTMENT #7 - Retire Wells #8 and #9 and Other Plant that is not used and useful.
Also reclassify plant into more appropriate NARUC account categories.

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	304	Structures and Improvements	\$ -	\$ (596)	\$ (596)
2	307	Wells and Springs	\$ -	\$ (106,816)	\$ (106,816)
3	320	Water Treatment Equipment	\$ -	(2,010,922)	\$ (2,010,922)
4	305	Collecting and Impounding Reservoirs	\$ -	(6,548)	\$ (6,548)
5	307	Wells and Springs	\$ -	(65,622)	\$ (65,622)
6	311	Pumping Equipment	\$ -	55,254	\$ 55,254
7	320	Water Treatment Equipment	\$ -	34,062	\$ 34,062
8	330	Distribution Reservoirs and Standpipes	\$ -	(1,658,272)	\$ (1,658,272)
9	331	Transmission and Distribution Mains	\$ -	1,502,420	\$ 1,502,420
10	333	Services	\$ -	106,409	\$ 106,409
11	334	Meters and Meter Installation	\$ -	11,193	\$ 11,193
12	335	Hydrants	\$ -	53,352	\$ 53,352
13	340	Office Furniture and Equipment	\$ -	1,814	\$ 1,814
14	303	Land and Land Rights (A/C #348 for RCN)	\$ -	(34,062)	\$ (34,062)
15	339	Other Plant & Misc. Equip.	\$ -	106,542	\$ 106,542
16	347	Miscellaneous Equipment	\$ -	(106,542)	\$ (106,542)
17		TOTAL	\$ -	\$ (2,118,334)	\$ (2,118,334)

References:

Col [A]: Company Schedule B-2
Col [B]: Col [C] - Col [A]
Col [C]: MEM Testimony

Explanation of Adjustment:

27 Agreement signed 02/05/2005 with Fountain Hills Sanitation District to take Wells 8 & 9 out of service and retire other
28 Plant identified by Staff as not being used and useful. Also to reclassify plant and accumulated depreciation.

Acct.

No.	Description	Cost	Accum Depr
32	307 Fully depreciated Cost of Well #8 per response to DR MEM-7.3	\$ 49,329	\$ 49,329
33	307 Fully depreciated Cost of Well #9 per response to DR MEM-7.3	54,139	54,139
34	307 Engine Well	3,348	3,348
35	Subtotal	106,816	106,816
36	320 CAP Plant #1 1986	1,320,562	1,320,562
37	320 CAP Plant #1 - Treatment Equipment 1987	288,612	288,612
38	320 CAP Plant #1 - Treatment Equipment 1989	397,339	397,339
39	320 CAP Plant #1 - Treatment Equipment 19889	4,409	4,409
40	Subtotal	2,010,922	2,010,922
41	304 Well No. 9 - Install exhaust fan	596	596
42			
43	305 Collecting and Impounding Reservoirs	(6,548)	(1,801)
44	307 Wells and Springs (250 hp sub.)	(65,622)	(18,727)
45	311 Pumping Equipment (250 hp sub. In 1996 Less Fire hydrant in 1996 and DIP in	55,254	24,434
46	320 Water Treatment Equipment (Water Treatment Study in 2004)	34,062	2,908
47	330 Distribution Reservoirs and Standpipes (Water Services in 1996 and mains in 2	(1,658,272)	(104,710)
48	331 Transmission and Distribution Mains (16" main in 2005 and fh Blvd main in 200	1,502,420	46,451
49	333 Services (Water Services in 1996 less Conference Room Table and Chairs in 1	106,409	30,253
50	334 Meters and Meter Installation (Meter installation in 1973 less service line in 199	11,193	16,154
51	335 Hydrants (Fire hydrant in 1996 and DIP in 2005)	53,352	10,940
52	340 Office Furniture and Equipment (Conference Room Table and Chairs in 1993)	1,814	585
53	303 Land and Land Rights (A/C #348 for RCN)	(34,062)	(6,487)
54		-	-
55	339 Other Plant & Misc. Equip.	106,542	31,889
56	347	(106,542)	(31,889)
57			
58		\$ 2,118,334	\$ 2,118,334
59			

CHAPARRAL CITY WATER COMPANY, INC.
Docket No. W-02113A-07-0551
Test Year Ended December 31, 2006

Schedule MEM RCN -1

RATE BASE - RECONSTRUCTION COST NEW

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	Adj. No.	(C) STAFF AS ADJUSTED
1 Plant in Service	\$ 80,816,104	(2,337,584)	2, 3, 5	\$ 78,478,520
2 Less: Accumulated Depreciation	25,894,686	(2,506,970)	4	23,387,716
3 Net Plant in Service	<u>\$ 54,921,418</u>	<u>169,386</u>		<u>\$ 55,090,804</u>
4				
5 <u>LESS:</u>				
6				
7 Contributions in Aid of Construction (CIAC)	\$ -	\$ -		\$ -
8 Less: Accumulated Amortization	-	-		-
9 Net CIAC	<u>9,441,352</u>	<u>-</u>		<u>\$ 9,441,352</u>
10				
11 Advances in Aid of Construction (AIAC)	10,231,760			\$ 10,231,760
12				
13 Customer Meter Deposits	819,845	-		\$ 819,845
14				
15 Deferred Income Tax Credits	925,896	-		925,896
16				
17 Shared Gain on Well	646,000	570,000	1	1,216,000
18				
19 <u>ADD:</u>				
20				
21 Unamortized Debt Issuance Costs	424,010	(424,010)	5	-
22				
23 Prepayments	192,485	(192,485)	5	-
24				
25 Materials and Supplies	14,521	(14,521)	5	-
26				
27 Deferred Regulatory Assets	1,280,000	(1,280,000)	2	-
28				
29 Working Capital	-	-		-
30				
31				
32	<u>\$ 34,767,581</u>	<u>\$ (2,311,630)</u>		<u>\$ 32,455,951</u>
33				
34				

35 References:

36 Column (A), Company Schedule B-3

37 Column (B): Schedule MEM RCN-2

38 Column (C): Column (A) + Column (B)

SUMMARY OF RECONSTRUCTION COST (RCN) RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) Well Settlement ADJ.#1	(C) CAP Allocation ADJ.#2	(D) GO Plant ADJ.#3	(E) Acc Depr ADJ.#4	(F) Working Capital ADJ.#5	(G) Plant Adj. ADJ.#6	(H) STAFF ADJUSTED
PLANT IN SERVICE:										
1		Decision No. 68176 Plant adjustments not booked but included in Staff RCN balances \$	32,536							
2	301	Organization		\$						
3	302	Franchises								
4	303	Land and Land Rights	305,920							
5	304	Structures & Improvements	1,965,394						1,245,937	1,551,857
6	305	Collecting & Impounding Reservoirs							10,793	1,976,187
7	306	Lakes, Rivers, Other Intakes								
8	307	Wells and Springs	908,287						(528,244)	380,043
9	308	Infiltration Galleries and Tunnels								
10	309	Supply Mains								
11	310	Power Generation Equipment	3,160,802							
12	311	Pumping Equipment	9,969,130						105,725	3,266,627
13	320	Water Treatment Plant	13,002,889						(3,226,536)	6,742,594
14	330	Distribution Reservoirs & Standpipes	31,920,448						(1,832,286)	11,070,383
15	331	Transmission & Distribution Mains	9,304,078						1,601,062	33,521,530
16	333	Services	3,081,833						146,911	9,450,989
17	334	Meters & Meter Installation	2,192,853						18,310	3,996,143
18	335	Hydrants							77,763	2,270,616
19	336	Backflow Prevention Devices								
20	339	Other Plant & Misc. Equipment	1,814,021							1,814,021
21	340	Office Furniture & Equipment	349,449						2,544	351,993
22	341	Transportation Equipment	663,541							663,541
23	342	Stores Equipment								
24	343	Tools, Shop & Garage Equipment	195,755							195,755
25	344	Laboratory Equipment								
26	345	Power Operated Equipment								
27	346	Communication Equipment								
28	347	Miscellaneous Equipment	57,138							57,138
29	348	Other Tangible Plant								
30			79,823,976						(2,480,011)	77,311,429
31										
32	32	Add:								
33		General Office Plant Allocation	992,128			174,963				1,167,091
34	34	Less:								
35										
36										
37										
38	38	Total Plant in Service	\$ 80,816,104	\$ -	\$ -	\$ 174,963	\$ -	\$ -	\$ (2,480,011)	\$ 78,476,520
39	39	Less: Accumulated Depreciation	25,894,686				(2,508,970)			23,387,716
40										
41	41	Net Plant in Service (L59 - L 60)	\$ 54,921,418	\$ -	\$ -	\$ 174,963	\$ 2,508,970	\$ -	\$ (2,480,011)	\$ 55,030,804
42										
43	43	LESS:								
44	44	Contributions in Aid of Construction (CIAC)								
45	45	Less: Accumulated Amortization								
46	46	Net CIAC (L25 - L26)								
47	47	Advances in Aid of Construction (AIAC)								
48	48	Customer Meter Deposits	819,845							819,845
49	49	Deferred Income Taxes	925,896							925,896
50	50	Shared Gain on Well	648,000	570,000						1,218,000
51										
52	52	ADD:								
53	53	Unamortized Debt Issuance Costs	424,010					(424,010)		
54	54	Prepayments	192,485					(192,485)		
55	55	Materials and Supplies	14,521					(14,521)		
56	56	Deferred Regulatory Assets	1,260,000		(1,260,000)					
57	57	Working Capital								
58	58	Original Cost Rate Base	\$ 34,767,581	\$ (570,000)	\$ (1,260,000)	\$ 174,963	\$ 2,508,970	\$ (631,016)	\$ (2,480,011)	\$ 32,455,951
59										
60										
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ADJ.#	REFERENCE
1	Allocate 100% of Well Settlement to Ratepayers.
2	CAP Allocation Reclassification.
3	Increase General Office Allocation.
4	Recalculation of Accumulated Depreciation.
5	Eliminate Working Capital Components
6	Plant Additions & Retirements per Staff Adjustments

70 References:
71 Column (A): Company Schedule B-3 and B-4
72 Column (B): Schedule MEM RCN-2
73 Column (C): Column (A) + Column (B) through

RCN RATE BASE ADJUSTMENT #3 - Reduce General Office plant allocation for disallowed items and increase four-factor allocation to 4%.

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	General office plant allocation @ RCN	\$ 992,128	\$ 174,963	1,167,091
2	Totals	\$ 992,128	\$ 174,963	\$ 1,167,091

[A]: Company Schedule B-3, Page 3 and B-4 and below Line 27, Column C.
[B]: Testimony - MEM and below calculations and Line 48, Column E.
[D]: Col [B] + Col [C]

Explanation of Staff Adjustment

12 As Originally Filed::

RCN Per Exhibit Schedule B-4-A	Allocation Factor	RCN Original Allocation
15 308 Land	3.21%	5,521
16 301 Organization	3.21%	528
17 303 Franchise Cost and Other Intangible Plant	3.21%	29,443
18 304 Structures & Improvements	3.21%	301,089
19 311 Electric Pumping Equipment	3.21%	(60)
20 339 Other Plant & Misc. Equipment	3.21%	33,878
21 340 Office Furniture & Equipment	3.21%	551,742
22 341 Transportation Equipment	3.21%	19,471
23 343 Tools, Shop & Garage Equipment	3.21%	21,292
24 344 Laboratory Equipment	3.21%	493
25 345 Power Operated Equipment	3.21%	20,357
26 346 Communication Equipment	3.21%	8,372
\$ 30,907,420		992,128

RCN Per Exhibit Schedule B-4-A	Staff Adjustment	Adjusted for Allocation	Allocation Factor	Staff Recommended
33 308 Land		172,003	4.00%	6,880
34 301 Organization		16,452	4.00%	658
35 303 Franchise Cost and Other Intangible Plant	(420,000)	497,234	4.00%	19,889
36 304 Structures & Improvements		9,379,730	4.00%	375,189
37 311 Electric Pumping Equipment	(1,860)	(1,860)	4.00%	(74)
38 339 Other Plant & Misc. Equipment	(1,015,146)	40,257	4.00%	1,610
39 340 Office Furniture & Equipment		17,188,237	4.00%	687,529
40 341 Transportation Equipment	(295,002)	311,573	4.00%	12,463
41 343 Tools, Shop & Garage Equipment		663,298	4.00%	26,532
42 344 Laboratory Equipment		15,358	4.00%	614
43 345 Power Operated Equipment		634,172	4.00%	25,367
44 346 Communication Equipment		260,818	4.00%	10,433
\$ 30,907,420	(1,730,148)	29,177,272		1,167,091

As originally filed

992,128

Staff Adjustment to Increase General Office Plant

174,964

Items Removed from General Office Plant in Staff Adjustment A:	OCN	Cost RCN
51 CPUC Management Audit - Completed in 1995, thus not applicable to CCW	420,000	420,000
52 Water Management Plans - Completed in 1998, thus not applicable to CCW	820,254	1,015,146
53 Luxury Vehicles - Detail listed below.	274,001	295,002
	1,514,255	1,730,148

	Date Acquired	RCN Per Exhibit Schedule B-4-A
58 Vehicles Found by Staff to be Imprudent		
59 Ford Explorer - 2004	3/26/2004	\$ 48,615
60 Infiniti GX35 - 2004	8/13/2004	\$ 43,242
61 Ford Expedition - 2004	8/13/2004	\$ 43,444
62 Acura MDX 2001	11/21/2002	\$ 42,917
63 Infiniti QX4	12/11/2002	\$ 56,086
64 Audi S4 Avant - 2005	7/6/2005	\$ 60,698
		\$ 295,002

RCND RATE BASE ADJUSTMENT #4 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT A	[C] STAFF ADJUSTMENT B	[D] TOTAL OF STAFF ADJUSTMENTS	[E] STAFF RECOMMENDED
1	RCN Accumulated Depreciation	\$ 25,894,686	\$ 113,818	\$ (2,620,789)	\$ (2,506,970)	\$ 23,387,716
2	Totals	\$ 25,894,686	\$ 113,818	\$ (2,620,789)	\$ (2,506,970)	\$ 23,387,716

[A]: Company Schedule B-2, B-3 and B-4 and below Line 65, Column E.
[B]: Testimony - MEM and below calculations and Line 145, Column E.
[C]: Testimony - MEM and below calculations and line 193, Column E.
[D]: Col [B] + Col [C]
[E]: Col [A] + Col [D], and line 199, Column E.

Acct. No.	Description	CCWC Plant OCN Accum. Depr. Per Exh. Sch. B-2 Page 3d	CCWC Plant OCN Accum. Depr. Per Exh. Sch. B-4	Ratio of RCN to Original Cost Per Exh. Sch. B-4	RCN Accum. Depr. Per Exh. Sch. B-4
301	Organization	-	-	-	-
302	Franchises	-	-	-	-
303	Land and Land Rights	-	-	-	-
304	Structures & Improvements	357,961	376,155	1.2942	486,820
305	Collecting & Impounding Reservoirs	573	-	-	-
306	Lakes, Rivers, Other Intakes	-	-	-	-
307	Wells and Springs	183,252	54,932	2.7353	150,255
308	Infiltration Galleries and Tunnels	-	-	-	-
309	Supply Mains	-	-	-	-
310	Power Generation Equipment	-	-	-	-
311	Pumping Equipment	879,456	834,457	2.0976	1,750,363
320	Water Treatment Plant	2,304,464	2,099,307	1.2841	2,695,725
330	Distribution Reservoirs & Standpipes	1,996,014	1,431,816	1.5902	2,276,817
331	Transmission & Distribution Mains	7,154,728	7,103,657	1.8292	12,993,907
333	Services	1,060,764	1,228,978	1.2590	1,547,309
334	Meters & Meter Installation	990,763	1,032,186	1.4609	1,507,882
335	Hydrants	235,514	246,174	1.8716	460,745
336	Backflow Prevention Devices	-	-	-	-
339	Other Plant & Misc. Equipment	135,962	262,340	1.0564	277,127
340	Office Furniture & Equipment	45,958	66,702	1.2925	86,215
341	Transportation Equipment	60,636	140,176	1.2395	173,753
342	Stores Equipment	-	-	-	-
343	Tools, Ship & Garage Equipment	34,980	43,635	1.3106	57,187
344	Laboratory Equipment	25	-	-	-
345	Power Operated Equipment	-	-	-	-
346	Communication Equipment	883	25,603	1.4612	37,410
347	Miscellaneous Equipment	31,899	-	-	-
348	Other Tangible Plant	-	639	1.0000	639
		15,473,832	14,946,757		24,502,155
	Rounding	2	-		(12)
	Total CCWC Plant Accumulated Depreciation	15,473,834	14,946,757		24,502,143

General Office Plant Allocated - Accum Depr OCN	Per Exhibit Schedule B-4-A	Allocation Factor	Allocation	Ratio of RCN to Original Cost Per Exh. Sch. B-4-A	G. O. RCN Accum. Depr.
301 Organization	3,046	3.21%	98	1.0000	98
302 Franchise Cost and Other Intangible Plant	211,596	3.21%	6,792	1.0000	6,792
304 Structures & Improvements	2,354,430	3.21%	75,577	1.6164	122,164
311 Electric Pumping Equipment	-	3.21%	-	0.0000	-
339 Other Plant & Misc. Equipment	162,569	3.21%	5,218	1.2455	6,500
340 Office Furniture & Equipment	8,664,647	3.21%	278,135	1.2046	335,043
341 Transportation Equipment	552,718	3.21%	17,742	1.0974	19,471
343 Tools, Shop & Garage Equipment	192,488	3.21%	6,179	1.6352	10,104
344 Laboratory Equipment	4,062	3.21%	130	3.7818	493
345 Power Operated Equipment	249,257	3.21%	8,001	2.5442	20,357
346 Communication Equipment	165,561	3.21%	5,315	1.5754	8,372
62 Total GO Accum. Depr. - Exh. Sch. B-2. Pg 4, Line 33.	12,560,374		403,188		529,393
			15,877,022		25,031,536
64 Company Pro-forma RCN Rate Base Adjustment No. 1 for difference between General Ledger and Depreciation Detail Schedules.					863,150
65 Total RCN Accumulated Depreciation Per Exhibit Schedule B-2. Page 1, Line 7 - To Line 1, Column A above					25,894,686

66 Explanation of Staff Adjustment A

67 As Originally Filed:

	Per Exhibit Sch. B-2, Page 4	Allocation Factor	Original Allocation
69 Home Office Plant Accumulated Depreciation			
70 301 Organization	3,046	3.21%	98
71 302 Franchise Cost and Other Intangible Plant	211,596	3.21%	6,792
72 304 Structures & Improvements	2,354,430	3.21%	75,577
73 311 Electric Pumping Equipment	-	3.21%	-
74 339 Other Plant & Misc. Equipment	162,569	3.21%	5,218
75 340 Office Furniture & Equipment	8,664,647	3.21%	278,135
76 341 Transportation Equipment	552,718	3.21%	17,742
77 343 Tools, Ship & Garage Equipment	192,488	3.21%	6,179
78 344 Laboratory Equipment	4,062	3.21%	130
79 345 Power Operated Equipment	249,257	3.21%	8,001
80 346 Communication Equipment	165,561	3.21%	5,315
	<u>12,560,374</u>		<u>403,188</u>

	Per Exhibit Schedule B-2, Page 3	Staff Adjustment A	Adjusted for Allocation	Allocation Factor
85 Home Office Plant Accumulated Depreciation				
86 301 Organization	3,046	(3,046)	-	4.00%
87 302 Franchise Cost and Other Intangible Plant	211,596	(153,888)	57,708	4.00%
88 304 Structures & Improvements	2,354,430	-	2,354,430	4.00%
89 311 Electric Pumping Equipment	-	-	-	4.00%
90 339 Other Plant & Misc. Equipment	162,569	(166,019)	(3,450)	4.00%
91 340 Office Furniture & Equipment	8,664,647	-	8,664,647	4.00%
92 341 Transportation Equipment	552,718	(43,667)	509,051	4.00%
93 343 Tools, Ship & Garage Equipment	192,488	-	192,488	4.00%
94 344 Laboratory Equipment	4,062	-	4,062	4.00%
95 345 Power Operated Equipment	249,257	-	249,257	4.00%
96 346 Communication Equipment	165,561	-	165,561	4.00%
	<u>12,560,374</u>	<u>(366,620)</u>	<u>12,193,754</u>	

102 Items Removed from General Office Plant Accumulated Depreciation In Staff Adjustment A:

103 CRC Valuation - Inappropriate accumulated depreciation for intangible	3,046	Accum Depr
104 CPUC Management Audit - Completed in 1995, thus not applicable to CCWC.	153,888	Per DR MEM 7.4 & 7.5
105 Water Management Plans - Completed in 1998, thus not applicable to CCWC.	166,019	
106 Luxury Vehicles - Detail listed below.	<u>43,667</u>	
	<u>366,620</u>	

	Date Acquired	Price	Accum. Depr.
109 Vehicles Found by Staff to be Imprudent			
111 Ford Explorer - 2004	3/26/2004	\$ 45,639	5,988
112 Infiniti GX35 - 2004	8/13/2004	\$ 40,039	5,253
114 Ford Expedition - 2004	8/13/2004	\$ 40,785	5,351
116 Acura MDX 2001	11/21/2002	\$ 38,319	10,055
118 Infiniti QX4	12/11/2002	\$ 50,077	13,140
121 Audi S4 Avant - 2005	7/6/2005	\$ 59,143	3,880
		<u>\$ 274,001</u>	<u>\$ 43,667</u>

	Staff Adjusted	Ratio of RCN to Original Cost Per Exh. Sch. B-4-A	Staff Recommended G. O. RCN Accum. Depr.
129 301 Organization	-	1.0000	-
130 302 Franchise Cost and Other Intangible Plant	2,308	1.0000	2,308
131 304 Structures & Improvements	94,177	1.6164	152,228
132 311 Electric Pumping Equipment	-	0.0000	-
133 339 Other Plant & Misc. Equipment	(138)	1.2455	(172)
134 340 Office Furniture & Equipment	346,586	1.2046	417,497
135 341 Transportation Equipment	20,362	1.0974	22,345
136 343 Tools, Ship & Garage Equipment	7,700	1.6352	12,590
137 344 Laboratory Equipment	162	3.7818	614
138 345 Power Operated Equipment	9,970	2.5442	25,366
139 346 Communication Equipment	6,622	1.5754	10,433
	<u>487,750</u>		<u>643,211</u>

141 As originally filed Per Exhibit Schedule B-3, Page 4, Line 37

142 Staff Adjustment A to Reduce General Office Plant Accumulated depreciation for disallowed items and increase
143 allocation to 4 percent. To line 1, Column B

113,818

145 Explanation of Staff Adjustment B

		CCWC Plant OCN		Staff		RCN		Difference - Staff Adjustment B
		Accum. Depr. Per	Adjustments Per Staff	Ratio of RCN to Original Cost	Recommended CCWC RCN	Accum. Depr. Per	Exh. Sch. B-4	
149	Acct. No.	Exh. Sch. B-2, Page 3	Sched. MEM-8	Per Exh. Sch. B-4	Accum. Depr.	Per Exh. Sch. B-4		
150	Description							
151	301 Organization	-	-	-	-	-	-	-
152	302 Franchises	-	-	-	-	-	-	-
153	303 Land and Land Rights	-	-	-	-	-	-	-
154	304 Structures & Improvements	357,961	(403)	1.2942	462,752	486,820		(24,068)
155	305 Collecting & Impounding Reservoirs	573	(573)	1.0000	-	-		-
156	306 Lakes, Rivers, Other Intakes	-	-	-	-	-		-
157	307 Wells and Springs	183,252	(125,543)	2.7353	157,851	150,255		7,596
158	308 Infiltration Galleries and Tunnels	-	-	-	-	-		-
159	309 Supply Mains	-	-	-	-	-		-
160	310 Power Generation Equipment	-	-	-	-	-		-
161	311 Pumping Equipment	879,456	26,064	2.0976	1,899,419	1,750,363		149,056
162	320 Water Treatment Plant	2,304,464	(2,008,014)	1.2841	380,671	2,695,725		(2,315,054)
163	330 Distribution Reservoirs & Standpipes	1,996,014	(104,710)	1.5902	3,007,552	2,276,817		730,735
164	331 Transmission & Distribution Mains	7,154,728	46,451	1.8292	13,172,397	12,993,907		178,489
165	333 Services	1,060,764	30,253	1.2590	1,373,590	1,547,309		(173,719)
166	334 Meters & Meter Installation	990,763	16,154	1.4609	1,471,005	1,507,882		(36,876)
167	335 Hydrants	235,514	10,940	1.8716	461,263	460,745		518
168	336 Backflow Prevention Devices	-	-	-	-	-		-
169	339 Other Plant & Misc. Equipment	135,962	-	1.0564	143,630	277,127		(133,497)
170	340 Office Furniture & Equipment	45,958	585	1.2925	60,157	86,215		(26,059)
171	341 Transportation Equipment	60,636	-	1.2395	75,158	173,753		(98,595)
172	342 Stores Equipment	-	-	-	-	-		-
173	343 Tools, Ship & Garage Equipment	34,980	-	1.3106	45,845	57,187		(11,342)
174	344 Laboratory Equipment	25	-	1.0000	25	-		25
175	345 Power Operated Equipment	-	-	-	-	-		-
176	346 Communication Equipment	883	-	1.4612	1,290	37,410		(36,120)
177	347 Miscellaneous Equipment	31,899	-	1.0000	31,899	-		31,899
178	348 Other Tangible Plant	-	-	1.0000	-	639		(639)
179		15,473,832			22,744,505	24,502,155		(1,757,651)
180	Rounding	2			-	(12)		12
181		15,473,834						
182	Total CCWC Plant RCN Accumulated Depreciation				22,744,505	24,502,143		(1,757,639)
183	Difference between detail plant schedules and General Ledger accumulated depreciation balances and							
184	Company RCN ratios applied to detail balances.							
185	Less Company RCND Rate Base pro-forma adjustment No. 1 to account for the difference between General							
186	Ledger A/D and detail schedules.							863,150
187	Staff Adjustment B to decrease CCWC Plant RCN Accumulated Depreciation Based on Company Supplied							
188	RCN Rates. To Line 1, Column C							(2,620,789)
189								
190								
191	Summary of Staff Recommended RCN Accumulated Depreciation:							
192	Staff recommended CCWC RCN Accumulated Depreciation Calculated Below					22,744,505		
193	Staff recommended General Office RCN Accumulated Depreciation					643,211		
194	Staff recommended Total RCN Accumulated Depreciation to Column E, Line 1 above					23,387,716		

RCN RATE BASE ADJUSTMENT #6 - Record Plant Additions and Retirements per Staff Adjustments

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
		\$		
1	301 Organization	-	-	-
2	302 Franchises	-	-	-
3	303 Land and Land Rights	305,920	1,245,937	1,551,857
4	304 Structures & Improvements	1,965,394	10,793	1,976,187
5	305 Collecting & Impounding Reservoirs	-	-	-
6	306 Lakes, Rivers, Other Intakes	-	-	-
7	307 Wells and Springs	908,287	(528,244)	380,043
8	308 Infiltration Galleries and Tunnels	-	-	-
9	309 Supply Mains	-	-	-
10	310 Power Generation Equipment	-	-	-
11	311 Pumping Equipment	3,160,902	105,725	3,266,627
12	320 Water Treatment Plant	9,969,130	(3,226,536)	6,742,594
13	330 Distribution Reservoirs & Standpipes	13,002,689	(1,932,296)	11,070,393
14	331 Transmission & Distribution Mains	31,920,448	1,601,082	33,521,530
15	333 Services	9,304,078	146,911	9,450,989
16	334 Meters & Meter Installation	3,981,833	16,310	3,998,143
17	335 Hydrants	2,192,853	77,763	2,270,616
18	336 Backflow Prevention Devices	-	-	-
19	339 Other Plant & Misc. Equipment	1,814,021	-	1,814,021
20	340 Office Furniture & Equipment	349,449	2,544	351,993
21	341 Transportation Equipment	663,541	-	663,541
22	342 Stores Equipment	-	-	-
23	343 Tools, Ship & Garage Equipment	195,755	-	195,755
24	344 Laboratory Equipment	-	-	-
25	345 Power Operated Equipment	-	-	-
26	346 Communication Equipment	57,138	-	57,138
27	347 Miscellaneous Equipment	-	-	-
28	348 Other Tangible Plant	-	-	-
29		79,791,438	(2,480,011)	77,311,427

[A]: Company Schedule B-4, and below Line 23 - 26, Column A.

[B]: Testimony - MEM and Schedule MEM-5 and Schedule MEM-23.

[C]: Col [B] + Col [C]

	Company RCN Per Exhibit Schedule B-4	Per Below Analysis Staff Adjusted RCN	Difference - Staff Adjustment
40	301 Organization	\$ -	\$ -
41	302 Franchises	-	-
42	303 Land and Land Rights	305,920	(1,245,937)
43	304 Structures & Improvements	1,965,394	(10,793)
44	305 Collecting & Impounding Reservoirs	-	-
45	306 Lakes, Rivers, Other Intakes	-	-
46	307 Wells and Springs	908,287	380,043
47	308 Infiltration Galleries and Tunnels	-	-
48	309 Supply Mains	-	-
49	310 Power Generation Equipment	-	-
50	311 Pumping Equipment	3,160,902	(105,725)
51	320 Water Treatment Plant	9,969,130	3,226,536
52	330 Distribution Reservoirs & Standpipes	13,002,689	1,932,296
53	331 Transmission & Distribution Mains	31,920,448	(1,601,082)
54	333 Services	9,304,078	(146,911)
55	334 Meters & Meter Installation	3,981,833	(16,310)
56	335 Hydrants	2,192,853	(77,763)
57	336 Backflow Prevention Devices	-	-
58	339 Other Plant & Misc. Equipment	1,814,021	1,814,021
59	340 Office Furniture & Equipment	349,449	(2,544)
60	341 Transportation Equipment	663,541	-
61	342 Stores Equipment	-	-
62	343 Tools, Ship & Garage Equipment	195,755	195,755
63	344 Laboratory Equipment	-	-
64	345 Power Operated Equipment	-	-
65	346 Communication Equipment	57,138	57,138
66	347 Miscellaneous Equipment	-	-
67	348 Other Tangible Plant	-	-
	79,791,438	77,311,427	2,480,011

	Staff Adjusted RCN Per MSJ	From Sch MEM 23	From Sch MEM-6	Staff Adjusted RCN
68 301 Organization	-			-
69 302 Franchises	-			-
70 303 Land and Land Rights	271,857		1,280,000	1,551,857
71 304 Structures & Improvements	1,964,597	11,590		1,976,187
72 305 Collecting & Impounding Reservoirs	-			-
73 306 Lakes, Rivers, Other Intakes	-			-
74 307 Wells and Springs	380,043			380,043
75 308 Infiltration Galleries and Tunnels	-			-
76 309 Supply Mains	-			-
77 310 Power Generation Equipment	-			-
78 311 Pumping Equipment	3,240,544	26,083		3,266,627
79 320 Water Treatment Plant	6,742,594			6,742,594
80 330 Distribution Reservoirs & Standpipes	11,070,393			11,070,393
81 331 Transmission & Distribution Mains	33,521,530			33,521,530
82 333 Services	9,450,989			9,450,989
83 334 Meters & Meter Installation	3,998,143			3,998,143
84 335 Hydrants	2,270,616			2,270,616
85 336 Backflow Prevention Devices	-			-
86 339 Other Plant & Misc. Equipment	1,814,021			1,814,021
87 340 Office Furniture & Equipment	351,993			351,993
88 341 Transportation Equipment	663,541			663,541
89 342 Stores Equipment	-			-
90 343 Tools, Ship & Garage Equipment	195,755			195,755
91 344 Laboratory Equipment	-			-
92 345 Power Operated Equipment	-			-
93 346 Communication Equipment	57,138			57,138
94 347 Miscellaneous Equipment	-			-
95 348 Other Tangible Plant	-			-
96	75,993,754	37,673	1,280,000	77,311,427

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	Adj. No.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>						
2	Metered Water Sales	\$ 7,364,411	\$ -		\$ 7,364,411	\$ 1,735,265	\$ 9,099,676
3	Water Sales - Unmetered	82,289	-		82,289	-	82,289
4	Intentionally Left Blank	-	-		-	-	-
5	Total Operating Revenues	\$ 7,446,700	\$ -		\$ 7,446,700	\$ 1,735,265	\$ 9,181,965
6	<u>OPERATING EXPENSES:</u>						
7	Salaries and Wages	\$ 969,244	\$ -		\$ 969,244	\$ -	\$ 969,244
10	Purchased Water	831,656	(20,306)	2	811,351	-	811,351
11	Purchased Power	602,982	-		602,982	-	602,982
13	Chemicals	127,457	(27,630)	7	99,827	-	99,827
14	Repairs and Maintenance	104,609	(19,018)	8	85,591	-	85,591
15	Office Supplies and Expense	19,800	-		19,800	-	19,800
16	Outside Services	266,544	(38,048)	10	228,496	-	228,496
17	Water Testing	43,458	(17,820)	11	25,638	-	25,638
18	Transportation	70,430	-		70,430	-	70,430
19	General Liability Insurance	(1,294)	3,654	9	2,360	-	2,360
20	Insurance - Health and Life	-	-		-	-	-
21	Regulatory Commission/Rate Case Expense	144,871	(61,538)	6	83,333	-	83,333
22	Miscellaneous Expense	1,259,948	37,214	4	1,297,162	-	1,297,162
23	Depreciation	1,608,019	(86,188)	3	1,521,831	-	1,521,831
24	Amortization of Gain on Well (Settlement Proc	(76,000)	(76,000)	1	(152,000)	-	(152,000)
25	Amortization of Additional CAP Allocation	64,000	(64,000)	5	-	-	-
26	Taxes other than Income	47,873	-		47,873	-	47,873
27	Property Taxes	295,813	(33,413)	12	262,400	20,731	283,131
28	Income Taxes	270,020	197,275	13	467,295	661,791	1,129,086
29	Intentionally Left Blank	-	-		-	-	-
30	Total Operating Expenses	\$ 6,649,430	\$ (205,818)		\$ 6,443,612	\$ 682,522	\$ 7,126,134
31	Operating Income (Loss)	\$ 797,270	\$ 205,818		\$ 1,003,088	\$ 1,052,744	\$ 2,055,831

References:

Column (A): Company Schedule C-1
Column (B): Schedule MEM-13
Column (C): Column (A) + Column (B)
Column (D): Schedules MEM-1 and MEM-2
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) Well Settlement ADJ #1	(C) Purchased Water ADJ #2	(D) Depreciation ADJ #3	(E) Misc Exp ADJ #4	(G) CAP Amort. ADJ #5	(H) Rate Case Exp. ADJ #6	(I) Chemicals ADJ #7	(J) Repairs & Maint. ADJ #8	(K) Insurance ADJ #9	(L) Outside Services ADJ #10	(M) Water Testing ADJ #11	(N) Prop. Tax ADJ #12	(O) Inc. Tax ADJ #13	(T) STAFF ADJUSTED
1	REVENUES:															
2	Metered Water Sales	\$ 7,364,411	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,364,411
3	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	82,289	-	-	-	-	-	-	-	-	-	-	-	-	-	82,289
5	Intentionally Left Blank	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Total Operating Revenues	\$ 7,446,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,446,700
7	OPERATING EXPENSES:															
8	Salaries and Wages	\$ 989,244	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 989,244
9	Purchased Water	831,656	-	(20,306)	-	-	-	-	-	-	-	-	-	-	-	811,351
10	Chemicals	602,982	-	-	-	-	-	-	(27,630)	-	-	-	-	-	-	602,982
11	Repairs and Maintenance	127,457	-	-	-	-	-	-	-	(19,018)	-	-	-	-	-	99,827
12	Office Supplies and Expense	104,609	-	-	-	-	-	-	-	-	-	-	-	-	-	85,591
13	Outside Services	19,800	-	-	-	-	-	-	-	-	-	-	-	-	-	19,800
14	Water Testing	266,544	-	-	-	-	-	-	-	-	-	(38,048)	-	-	-	228,496
15	General Liability Insurance	43,458	-	-	-	-	-	-	-	-	-	-	-	-	-	25,638
16	Insurance - Health and Life	70,430	-	-	-	-	-	-	-	-	3,654	-	-	-	-	70,430
17	Regulatory Commission/Rate Case Expense	(1,294)	-	-	-	-	-	-	-	-	-	-	-	-	-	2,360
18	Miscellaneous Expense	144,871	-	-	-	-	-	(61,538)	-	-	-	-	-	-	-	83,333
19	Depreciation	1,259,848	-	-	(86,188)	37,214	-	-	-	-	-	-	-	-	-	1,297,182
20	Amortization of Gain on Well (Settlement Proceeds)	1,608,019	-	-	-	-	-	-	-	-	-	-	-	-	-	1,521,831
21	Amortization of Additional CAP Allocation	(76,000)	-	-	-	-	(64,000)	-	-	-	-	-	-	-	-	(152,000)
22	Taxes other than Income	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64,000
23	Property Taxes	47,873	-	-	-	-	-	-	-	-	-	-	-	-	-	47,873
24	Income Taxes	295,813	-	-	-	-	-	-	-	-	-	-	-	-	-	295,813
25	Intentionally Left Blank	270,020	-	-	-	-	-	-	-	-	-	-	-	-	-	270,020
26	Total Operating Expenses	\$ 6,649,430	\$ (76,000)	\$ (20,306)	\$ (86,188)	\$ 37,214	\$ (64,000)	\$ (61,538)	\$ (27,630)	\$ (19,018)	\$ 3,654	\$ (38,048)	\$ (17,820)	\$ (33,413)	\$ 197,275	\$ 6,443,612
27	Operating Income (Loss)	\$ 787,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,003,088

References:

Col (A) Company Schedule C-1 Pg. 1

ADJ #	REFERENCE:
1	Well settlement allocated to ratepayers.
2	Purchased Water Expense
3	Depreciation Expenses
4	Miscellaneous Expenses
5	Additional CAP Allocation Amortization Reversal
6	Normalization of Rate Case Expense
7	Normalization of Chemicals Expense
8	Normalization of Repairs and Maintenance Expense
9	Normalization of Insurance Expense
10	Outside Services Expense
11	Water Testing
12	Property Tax Expense
13	Income Tax Expense

CHAPARRAL CITY WATER COMPANY, INC.
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Schedule MEM-14

OPERATING INCOME ADJUSTMENT #1 - Well settlement proceeds allocated 100% to ratepayers.

Line No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Well Settlement Proceeds Amortized	\$ (76,000)	\$ (76,000)	\$ (152,000)

References:

Col [A]: Company Schedule C-1

Col [B]: Col [C] - Col [A]

Col [C]: Testimony - MEM and worksheet MEM-5.

Explanation of Adjustment:

Agreement signed 02/05/2005 with Fountain Hills Sanitation District to take Wells 8 & 9 out of service due to possible contamination from sewage treatment facility in exchange for \$1,520,000. Gain to be allocated 100% to ratepayers because the wells were fully depreciated, thus the original cost had been paid by the depreciation included in rates through 2002.

Ratepayers share of proceeds

\$ 1,520,000

Based on a ten year amortization, the amount included in instant rate case revenue requirement as "Amortization of Well Settlement Proceeds".

(152,000)

OPERATING INCOME ADJUSTMENT #2 - Decrease Purchased Water Cost

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Water Cost	\$ 831,656	\$ (20,306)	\$ 811,350
 <u>References:</u>				
Col [A]: Company Schedule C-2				
Col [B]: Col [C] - Col [A]				
Col [C]: MEM Testimony				
2	From Exhibit Schedule C-2, Page 6 (Proforma Adj #5)			
3			<u>Company</u>	<u>Staff</u>
4	CAP water allocation (acre feet)		6,978	6,978
5	Additional CAP allocation		1,931	965.5
6			8,909	7,944
7	2008 capital cost per acre foot		\$ 21	\$21
8	Total capital cost		\$ 187,089	\$166,814
9				
10				
11	CAP water delivered (acre feet) - 6,500 scheduled, 6,978 was delivered		6,978	6,978
12	Excess CAP water delivered		260	260
13	Additional acre feet in annualization		(705)	(705)
14			6,533	6,533
15	2008 delivery cost per acre foot		\$92	\$92
16	Total M&I cost		\$601,036	\$601,036
17				
18	Total CAP purchased water		788,125	767,850
19				
20	Ground water pumper in acre feet		260	260
21	Excess capacity percentage		0.67	0.67
22	Total projected gallons pumped		174	174
23	CAP Replenishment District assessment fee		\$250	\$250
24			\$ 43,550	\$ 43,500
25				
26	Total purchased water cost		\$ 831,656	\$ 811,350
27	Test year purchased water cost per GL		\$ 934,095	\$ 934,095
28	Increase(decrease)		(102,439)	(122,746)
29				(102,439)
30	Staff Adjustment to eliminate portion of expense not used and useful			(20,307)
31				
32				
33				
34	Purchased Water Expense per Company		\$ 831,656	
35	Staff Adjustment to eliminate portion of expense not used and useful		(20,307)	
36	Adjusted Purchased Water Expense		\$ 811,350	
37				
38				

Round to \$20,306

OPERATING INCOME ADJUSTMENT #3 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation Expense	\$ 1,608,019	\$ (86,188)	\$ 1,521,831

<u>Explanation of Adjustment:</u>						
Line No.	Account No.	Description	Original Cost Amount	Depreciable Amount	Projected Rate	Expense
Plant In Service						
2	301	Organization	-	\$ -	0.00%	\$ -
3	302	Franchises	-	-	0.00%	-
4	303	Land and Land Rights	1,551,858	1,551,858	0.00%	-
5	304	Structures & Improvements	1,529,642	1,529,642	3.33%	50,937
6	305	Collecting & Impounding Reservoirs	-	-	2.50%	-
7	306	Lakes, Rivers, Other Intakes	-	-	2.50%	-
8	307	Wells and Springs	159,627	159,627	3.33%	5,316
9	308	Infiltration Galleries and Tunnels	-	-	6.67%	-
10	309	Supply Mains	-	-	2.00%	-
11	310	Power Generation Equipment	-	-	5.00%	-
12	311	Pumping Equipment	1,588,246	1,588,246	12.50%	198,531
13	320	Water Treatment Plant	5,786,640	5,786,640	3.33%	192,695
14	330	Distribution Reservoirs & Standpipes	6,512,148	6,512,148	2.22%	144,570
15	331	Transmission & Distribution Mains	18,953,054	17,450,634	2.00%	349,013
16	333	Services	7,496,339	7,389,930	3.33%	246,085
17	334	Meters & Meter Installation	2,736,866	2,736,866	8.33%	227,981
18	335	Hydrants	1,224,985	1,224,985	2.00%	24,500
19	336	Backflow Prevention Devices	-	-	6.67%	-
20	339	Other Plant & Misc. Equipment	1,717,229	1,717,229	6.67%	114,539
21	340	Office Furniture & Equipment	272,173	272,173	6.67%	18,154
22	341	Transportation Equipment	535,315	535,315	20.00%	107,063
23	342	Stores Equipment	-	-	4.00%	-
24	343	Tools, Ship & Garage Equipment	149,365	149,365	5.00%	7,468
25	344	Laboratory Equipment	-	-	10.00%	-
26	345	Power Operated Equipment	-	-	5.00%	-
27	346	Communication Equipment	39,105	39,105	10.00%	3,911
28	347	Miscellaneous Equipment	-	106,542	10.00%	10,654
29	348	Other Tangible Plant	-	-	10.00%	-
30	Subtotal General		\$ 50,252,592	\$ 48,750,305		\$ 1,701,415
31	Less: Non- depreciable Account(s) (L4)		1,551,858	1,551,858		
32	Depreciable Plant (L30-L31)		\$ 48,700,734	\$ 47,198,447		
				Adjusted Allocation		
33	301	Organization		658	0.00%	\$ -
34	302	Franchise Cost and Other Intangible Plant		26,769	0.00%	-
35	304	Structures & Improvements		232,113	3.33%	7,729
36	311	Electric Pumping Equipment		(37)	0.00%	-
37	339	Other Plant & Misc. Equipment		1,085	6.67%	72
38	340	Office Furniture & Equipment		570,751	6.67%	38,069
39	341	Transportation Equipment		11,149	20.00%	2,230
40	343	Tools, Ship & Garage Equipment		18,226	5.00%	811
41	344	Laboratory Equipment		162	10.00%	16
42	345	Power Operated Equipment		9,970	5.00%	499
43	346	Communication Equipment		6,622	10.00%	-
44	Subtotal General			\$ 875,469		\$ 49,427
45	Less: Non- depreciable Account(s) (L33 and L34)			34,013		
46	Depreciable Plant (L44-L45)			\$ 841,456		
47	Total Depreciable Plant and Depr. Expense before CIAC			\$ 48,073,916		\$ 1,750,842
48	Contributions-in-Aid-of-Construction (CIAC)		\$ 6,288,097			
49	Composite Depreciation/Amortization Rate		0.0364			
50	Less: Amortization of CIAC (L48 x L49)					\$ 229,011
51	Depreciation Expense - STAFF [Col. (C), L49 - L50]					\$ 1,521,831

OPERATING INCOME ADJUSTMENT #4 - MISCELLANEOUS EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENT A	[C] STAFF ADJUSTMENT B	[D] TOTAL OF STAFF ADJUSTMENTS	[E] STAFF RECOMMENDED
1	Miscellaneous Expense	\$ 1,259,948	\$ 38,164	\$ (950)	\$ 37,214	\$ 1,297,162
2	Totals	\$ 1,259,948	\$ 38,164	\$ (950)	\$ 37,214	\$ 1,297,162

[A]: Company Schedule B-2, Page 3 and B-3, Page 3 and below Line 26, Column C.

[B]: Testimony - MEM and below calculations and Line 48, Column E.

[C]: Testimony - MEM and below calculations and line 94, Column E.

[D]: Col [B] + Col [C]

[E]: Testimony - MEM and below Line 91, Column E.

Explanation of Staff Adjustment A

Total Allocation Pool per worksheet from CCWC	34,557,114
Subtract Membership dues that only benefit California ratepayers and the dues used for lobbying listed below	(251,538)
Investor related expenses listed below	(1,040,585)
Adjusted allocation pool	33,264,991
Revised allocation factor	4.00%
Revised allocation of GO Expenses	1,330,600

GO Expense Allocation Distribution by Account

	Company	Staff Adjustment A	Staff Recommended
26 A&G Other XFR	8880.21	863,799	25,507
27 Cust Other XFR	8885.21	43,252	1,277
28 A&G Labor XFR	6980.00	237,614	7,016
29 Cust Labor XFR	6985.00	68,137	2,012
30 Miscellaneous	8700.00	79,634	2,351
		1,292,436	38,164
			1,330,600

Miscellaneous expense is being charged for all of this adjustment because this is where the Company made its last adjust ment for the GO allocation.

List of Investor related expenses:

GL Acct	TYE Account
No.	Balance
7031.15 Printing Shareholder	93,342
7124.15 Supplies Shareholder	2,696
7134.15 OS Other Shareholder	298,596
7153.00 Postage Shareholder	56,478
8301.15 T&E Tran Shareholder	1,462
8301.16 T&E Tran Directors	2,938
8302.15 T&E Meal Directors	11,520
8303.15 T&E Meal Shareholder	2,794
8303.16 T&E Meal Directors	1,738
8304.15 T&E Other Directors	404
8700.16 Other Misc - Director's Fee	568,617
Total Investor related expenses	1,040,585

List of Membership dues that only benefit California ratepayers and dues used for lobbying:

7061.00 Membership Dues Company:	
NAWC - 19% lobbying (\$119,202x19%)	22,648
California Water Association	Does not benefit CCWC
California Water Association	Does not benefit CCWC
California Water Association	Does not benefit CCWC
California Water Association	Does not benefit CCWC
California Foundation	Does not benefit CCWC
California Urban Water Cons	Does not benefit CCWC
California Chamber of Commerce	Does not benefit CCWC
Los Angeles Chamber of Commerce	Does not benefit CCWC
	251,568

Explanation of Staff Adjustment B

	Staff AdjustmentB
Per Co. response to MEM DR #1.125, lobbying expenses of approximately \$950 were included in dues paid to Investor Owned Water Utility Association and Water Utility Association of Arizona.	\$ 950
	\$ 950

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Schedule MEM-18

**OPERATING INCOME ADJUSTMENT #5 - Reversal of Company pro forma Adjustment #13,
Amortizing Additional CAP Allocation**

LINE NO.	DESCRIPTION	[A] COMPANY <u>PROPOSED</u>	[B] STAFF <u>ADJUSTMENTS</u>	[C] STAFF <u>RECOMMENDED</u>
		<u>\$ 64,000</u>	<u>\$ (64,000)</u>	<u>\$ -</u>
1	Amortization of Additional CAP Allocation			

References:

Col [A]: Company Schedule C-1
Col [B]: Col [C] - Col [A]
Col [C]: MEM Testimony

OPERATING INCOME ADJUSTMENT #6 - Rate Case Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		\$ 144,871	\$ (61,538)	\$ 83,333

References:

Col [A]: Company Schedule C-1

Col [B]: Col [C] - Col [A]

Col [C]: MEM Testimony - Normalized Rate Case Expense (/3yrs.)

Rate case expense was amortized in the prior rate case, thus there is an unrecovered amount in the test year but this will have been fully absorbed by the time the rates for the current case become effective so no recognition is warranted.

2 Per Company:

3	Remaining unrecovered rate case expense from the prior case	
4	per Exhibit Shedule C-2, Page 5:	154,613
5	Current Estimated rate case expense per C-2, Page 5	280,000
6		434,613
7	Amortized over 3 years	144,871

9 Per Staff:

10	Remaining unrecovered rate case expense from the prior case	
11	is not recognized because the cost will have been fully	
12	recovered by the time rates for this case become effective.	-
13	Remand case expenses per Company	100,000
14	Estimated current rate case expense based on the actual	
15	billings of \$75,032 through October, 2007:	150,000
16	Normalized over 3 years as this has historically been	
17	the Company's rate increase request frequency:	83,333

18
19
20
21
22

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Schedule MEM-20

OPERATING INCOME ADJUSTMENT #7 - Normalization of Chemicals Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Normalization of Chemicals Expenses	\$ 127,457	\$ (27,630)	\$ 99,827
2	Chemicals expenses - 2004			\$ 66,210
3	Chemicals expenses - 2005			105,814
4	Chemicals expenses - 2006			127,457
5	Normalization of Chemicals Expenses - 3-Year Average			\$ 99,827

References:

Col [A]: Company Schedule C-1

Col [B]: Col [C] - Col [A]

Col [C]: Normalized Chemicals Expense Col [C] L5.

Chemicals for 2007 are \$88,968. Two invoices were dated in 12/2006 for the test year.

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Schedule MEM-21

OPERATING INCOME ADJUSTMENT #8 - Repairs and Maintenance

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Repairs and Maintenance Expense	\$ 104,609	\$ (19,018)	\$ 85,591

References:

Col [A]: Company Schedule C-1
Col [B]: Col [C] - Col [A]
Col [C]: MEM Testimony

Explanation of Staff Adjustment - To Normalize

R&M - 2004	96,152
R&M - 2005	72,640
R&M - 2006	104,609
Staff recommended R & M expense - Normalized.	<u>91,134</u>

Explanation of Staff Adjustment - To Remove the cost of Pepsi purchased as an employee benefit.

Payments to Pepsi Cola Company of Dallas	\$ 5,543
Normalized expense net of Pepsi.	<u>85,591</u>

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Schedule MEM-22

OPERATING INCOME ADJUSTMENT #9 - Normalization of General Liability Insurance Expense.

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Normalization of Insurance - General Liability Expense	\$ (1,294)	\$ 3,654	\$ 2,360
2	2003 Insurance - General Liability Expense			-
3	2004 Insurance - General Liability Expense			\$ 775
4	2005 Insurance - General Liability Expense			1,860
5	2006 Insurance - General Liability Expense			-
6	2007 Insurance - General Liability Expense			9,167
7	Normalization of Insurance - General Liability Expense - 5-Year Average			\$ 2,360

References:

Col [A]: Company Schedule C-1

Col [B]: Col [C] - Col [A]

Col [C]: Normalized General Liability Insurance Expense Col [C] L5.

Claim paid for 2006 is \$2,682 per CCWC response to DR 1.44.

OPERATING INCOME ADJUSTMENT #10 -Outside Services Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Outside Services Expense	\$ 266,544		\$ 266,544
2	Expensed plant	-	(37,673)	(37,673)
3	Late Filing Penalty for 2005 ACC Annual Report	-	(45)	(45)
4	Rate case expense for appellate court	-	(330)	(330)
5		<u>\$ 266,544</u>	<u>\$ (38,048)</u>	<u>\$ 228,496</u>

References:

Column A: Company Schedule C-1

Column B: Testimony, MEM, Company Data Request Responses MEM 8.1, MEM 16.2

Column C: Column [A] + Column [B]

PLANT COSTS REMOVED FROM OUTSIDE SERVICES (MEM 8.1)

Acct. No.	Description	Amount
304-Struct & Imprvmnts	New irrigation installation	\$ 2,500.00
304-Struct & Imprvmnts	Installation of 30' x 6' fencing w/panels	\$ 4,375.00
304-Struct & Imprvmnts - See (A) below.	Professional survey for new fence line	\$ 4,715.00
	Total for Structures and Improvements	<u>\$ 11,590.00</u>
311 - Elec Pumping Equip	Recondition motor	\$ 7,448.00
311 - Elec Pumping Equip	Removal & repair of pump	\$ 5,512.62
311 - Elec Pumping Equip	Removal & repair of motor and pump	\$ 13,122.67
	Total for Electric Pumping Equipment	<u>\$ 26,083.29</u>
	Total expensed plant	<u>\$ 37,673.29</u>

DISALLOWED COSTS REMOVED FROM OUTSIDE SERVICES (MEM 8.1)

Type of Documentation	Description	Amount
Check request - See (B) below.	Penalty for late filing ACC report	\$ 45.00
Invoice	Rate case expense for appellate court	\$ 330.00
	Total Disallowed Costs	<u>\$ 375.00</u>

(A) Fee paid to Morrison, Maierle, Inc. for property line surveying services that is a one-time expenditure.

(B) Late filing penalty for 2005 Annual Report to the AZ Corporation Commission

OPERATING INCOME ADJUSTMENT #11 - Water Testing Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Normalization of Water Testing Expense per MSJ	\$ 43,458	\$ (17,820)	\$ 25,638

References:

Col [A]: Company Schedule C-1

Col [B]: Col [C] - Col [A]

Col [C]: Normalized Water Testing Expense Col [C] L1.

CHAPARRAL CITY WATER COMPANY, INC.
Docket No. W-02113A-07-0551
Test Year Ended December 31, 2006

Schedule MEM-25

OPERATING INCOME ADJUSTMENT #12 - Property Tax Expense

LINE NO.	Property Tax Calculation	(C)	
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2006	\$ 7,446,700	\$ 7,446,700
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	14,893,400	\$ 14,893,400
4	Staff Recommended Revenue, Per Schedule MEM-1	7,446,700	\$ 9,181,965
5	Subtotal (Line 4 + Line 5)	22,340,100	24,075,365
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	7,446,700	\$ 8,025,122
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	14,893,400	\$ 16,050,244
10	Plus: 10% of CWIP -	224,140	224,140
11	Less: Net Book Value of Licensed Vehicles	474,678	\$ 474,678
12	Full Cash Value (Line 9 + Line 10 - Line 11)	14,642,862	\$ 15,799,706
13	Assessment Ratio	23.0%	23.0%
14	Assessment Value (Line 12 * Line 13)	3,367,858	\$ 3,633,932
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 11)	7.7913%	7.7913%
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 262,400	\$ -
17	Company Proposed Property Tax	295,813	
18	Staff Test Year Adjustment (Line 16-Line 17)	\$ (33,413)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 283,131
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 262,400
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		\$ 20,731
22	Increase to Property Tax Expense		\$ 20,731
23	Increase in Revenue Requirement		1,735,265
24	Increase to Property Tax per Dollar Increase in Revenue (Line 19/Line 20)		1.194666%

CHAPARRAL CITY WATER COMPANY, INC.
Docket No. W-02113A-07-0551
Test Year Ended December 31, 2006

Schedule MEM-26

OPERATING INCOME ADJUSTMENT #13 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Tax Expense	\$ 270,020	\$ 197,275	\$ 467,295

References:

Col [A]: Company Schedule C-1
Col [B]: Col [C] - Col [A]
Col [C]: Schedule MEM-2, Line 52.

RATE DESIGN

No.		Present Rates	Company Proposed	Staff Recommended	
1	Monthly Minimum				
2	3/4-inch Meter	\$ 13.60	\$ 18.56	\$ 15.00	
3	1-inch Meter	\$ 22.70	\$ 30.97	\$ 25.00	
4	1 1/2-inch Meter	\$ 45.40	\$ 71.95	\$ 48.00	
5	2-inch Meter	\$ 73.00	\$ 99.61	\$ 77.00	
6	3-inch Meter	\$ 146.00	\$ 199.21	\$ 150.00	
7	4-inch Meter	\$ 227.00	\$ 309.74	\$ 230.00	
8	6-inch Meter	\$ 454.00	\$ 619.47	\$ 460.00	
9	8-inch Meter	\$ 730.00	\$ 996.07	\$ 925.00	
10	10-inch Meter	\$ 1,043.00	\$ 1,423.15	\$ 1,300.00	
11	12-inch Meter	\$ 1,980.00	\$ 2,701.67	\$ 2,300.00	
12					
13	Fire Hydrants Basic Service				
14					
15	Fire Hydrants Used for Irrigation	Per Meter Size	Per Meter Size	Per Meter Size	
16					
17	Monthly Service Charge for Fire Sprinkler				
18	4-inch or Smaller Meter	\$ 10.00	\$ 10.00	\$ 10.00	
19	6-inch Meter	\$ 10.00	\$ 10.00	\$ 10.00	
20	8-inch Meter	\$ 10.00	\$ 10.00	\$ 10.00	
21	10-inch Meter	\$ 10.00	\$ 10.00	\$ 10.00	
22	Larger than 10-inch Meter	\$ 10.00	\$ 10.00	\$ 10.00	
23					
24					
25	Gallons in the Minimum	-	-	-	
26					
27					
28	Commodity Rates	Per 1,000 Gallons			
29	(Residential, Commercial, Industrial)	Block			
30					
31	3/4-inch Meter Residential	0 - 3,000 Gallons	\$ 1.68	\$ 2.292	\$ 1.85
32		3,001 - 9,000 Gallons	\$ 2.52	\$ 3.438	\$ 2.92
33		Over 9,000 Gallons	\$ 3.03	\$ 4.134	\$ 3.33
34					
35	3/4-inch Meter Commercial and Industrial	0 to 9,000 Gallons	\$ 2.52	\$ 3.438	\$ 2.92
36		Over 9,000 Gallons	\$ 3.03	\$ 4.134	\$ 3.33
37					
38	1-inch Meter:	0 to 24,000 Gallons	\$ 2.52	\$ 3.438	\$ 2.92
39		Over 24,000 Gallons	\$ 3.03	\$ 4.134	\$ 3.33
40					
41	1 1/2-inch Meter:	0 to 60,000 Gallons	\$ 2.52	\$ 3.438	\$ 2.92
42		Over 60,000 Gallons	\$ 3.03	\$ 4.134	\$ 3.33
43					
44	2-inch Meter	0 to 100,000 Gallons	\$ 2.52	\$ 3.438	\$ 2.92
45		Over 100,000 Gallons	\$ 3.03	\$ 4.134	\$ 3.33
46					
47	3-inch Meter	0 to 225,000 Gallons	\$ 2.52	\$ 3.438	\$ 2.92
48		Over 225,000 Gallons	\$ 3.03	\$ 4.134	\$ 3.33
49					
50	4-inch Meter	0 to 350,000 Gallons	\$ 2.52	\$ 3.438	\$ 2.92
51		Over 350,000 Gallons	\$ 3.03	\$ 4.134	\$ 3.33
52					
53	6-inch Meter	0 to 725,000 Gallons	\$ 2.52	\$ 3.438	\$ 2.92
54		Over 725,000 Gallons	\$ 3.03	\$ 4.134	\$ 3.33
55					
56	8-inch Meter	0 to 1,125,000 Gallons	\$ 2.52	\$ 3.438	\$ 2.92
57		Over 1,125,000 Gallons	\$ 3.03	\$ 4.134	\$ 3.33
58					
59	10-inch Meter	0 to 1,500,000 Gallons	\$ 2.52	\$ 3.438	\$ 2.92
60		Over 1,500,000 Gallons	\$ 3.03	\$ 4.134	\$ 3.33
61					
62	12-inch Meter	0 to 2,250,000 Gallons	\$ 2.52	\$ 3.438	\$ 2.92
63		Over 2,250,000 Gallons	\$ 3.03	\$ 4.134	\$ 3.33
64					
65	Irrigation/Bulk	All Gallons	\$ 1.56	\$ 3.438	\$ 2.75
66					
67	Fire Hydrant Irrigation/Construction	All Gallons	\$ 1.56	\$ 3.438	\$ 2.75
68					
69	Standpipe (Fire Hydrants)	All Gallons	\$ 2.52	\$ 3.438	\$ 2.75
70					
71	Fire Sprinklers	All Gallons	\$ 2.52	\$ 3.438	\$ 2.75
72					
73		Present Rates	Company Proposed	Staff Recommended	
74	Service Charges				
75	Establishment of Service:				
76	Regular Hours	\$ 25.00	\$ 25.00	\$ 25.00	
77	After Hours	\$ 35.00	\$ 35.00	\$ 35.00	
78	Re-establishment of Service within 12 Months:				
79	Monthly Minimum times Months Disconnected				
80	From the Water System [Per ACC Rule 14-2-403(D)]				
81	Reconnection of Service (Delinquent):				
82	Regular Hours	\$ 35.00	\$ 35.00	\$ 35.00	
83	After Hours	\$ 50.00	\$ 50.00	\$ 50.00	
84	Water Meter Test (If Correct)	\$ 35.00	\$ 35.00	\$ 35.00	
85	Water Meter relocation as Customer Request [Per ACC Rule 14-2-405(B)]	Cost	Cost	Cost	
86	Meter Re-Read (If Correct)	\$ 25.00	\$ 25.00	\$ 25.00	
87	NSF Check Charge	\$ 25.00	\$ 25.00	\$ 25.00	
88	Late Fee Charge	1.5% Per Mon	1.5% Per Mont	1.5% Per Month	
89	Deferred Payment Finance Charge	1.5% Per Mon	1.5% Per Mont	1.5% Per Month	
90	Service Call - After Hours [Per ACC Rule 14-2-403(D)]	Refer to above charges	Refer to above charges	Refer to above charges	
91					
92					
93	Deposit Requirements Residential	**	**	**	
94	Deposit Requirements Non-Residential	**	**	**	
95	Deposit Interest	***	***	***	
96					
97	** Residential - two times the average bill. Non-residential - two and one-half times the estimated maximum bill.				
98					
99	*** Interest per [Per ACC Rule 14-2-403(B)]				

100 Off-site Facilities Hook-up Fee:

101	5/8 x 3/4-inch Meter	****	\$ 1,000.00	****
102	3/4-inch Meter	****	\$ 1,500.00	****
103	1-inch Meter	****	\$ 2,500.00	****
104	1 1/2-inch Meter	****	\$ 5,000.00	****
105	2-inch Meter	****	\$ 8,000.00	****
106	3-inch Meter	****	\$ 16,000.00	****
107	4-inch Meter	****	\$ 25,000.00	****
108	6-inch or Larger Meter	****	\$ 50,000.00	****

109 **** The fee shall be variable, fixed on January 1 of each calendar year, computed by dividing \$369,404.50 by the
110 number of hook-ups during the previous calendar year, however, in no event shall the hook-up fee be higher than
111 \$1,000 nor less than \$500.
112 2006 filing - New water installations. May be assessed only once per parcel, service connection, or lot within a
113 subdivision. Purpose is to equitably apportion the costs of constructing additional off-site facilities to provide water production,
114 delivery, storage, and pressure among all new service connections.
115

116 CAP Hook-up Fee:

NONE

117 New water installations. May be assessed only once per parcel, service connection, or lot within a
118 subdivision. Purpose is to recover the costs of additional 1,931 a.f. of CAP allocation. Fee will be
119 recomputed annually to take into account carrying costs of unrecovered balance and annual payment.
120

121	Present	Present	Total	Proposed	Proposed	(a)	Staff	Staff	Staff
122	Service Line	Meter	Present	Service Line	Meter	Total	Proposed	Proposed	Total
123	Charge	Installation	Charge	Charge	Installation	Proposed	Service Line	Meter	Proposed
124		Charge			Charge	Charge	Charge	Installation	Charge
125									
126	Meter and Service Line Installation Charges								
127	5/8 x 3/4-inch Meter	\$ 385.00	\$ 135.00	\$ 520.00	\$ 385.00	\$ 135.00	\$ 385.00	\$ 135.00	\$ 520.00
128	3/4-inch Meter	\$ 385.00	\$ 215.00	\$ 600.00	\$ 385.00	\$ 215.00	\$ 385.00	\$ 215.00	\$ 600.00
129	1-inch Meter	\$ 435.00	\$ 255.00	\$ 690.00	\$ 435.00	\$ 255.00	\$ 435.00	\$ 255.00	\$ 690.00
130	1 1/2-inch Meter	\$ 470.00	\$ 465.00	\$ 935.00	\$ 470.00	\$ 465.00	\$ 470.00	\$ 465.00	\$ 935.00
131	2-inch Turbine Meter	\$ 630.00	\$ 965.00	\$ 1,595.00	\$ 630.00	\$ 965.00	\$ 630.00	\$ 965.00	\$ 1,595.00
132	2-inch Compound Meter	\$ 630.00	\$ 1,690.00	\$ 2,320.00	\$ 630.00	\$ 1,690.00	\$ 630.00	\$ 1,690.00	\$ 2,320.00
133	3-inch Turbine Meter	\$ 805.00	\$ 1,470.00	\$ 2,275.00	\$ 805.00	\$ 1,470.00	\$ 805.00	\$ 1,470.00	\$ 2,275.00
134	3-inch Compound Meter	\$ 845.00	\$ 2,265.00	\$ 3,110.00	\$ 845.00	\$ 2,265.00	\$ 845.00	\$ 2,265.00	\$ 3,110.00
135	4-inch Turbine Meter	\$ 1,170.00	\$ 2,350.00	\$ 3,520.00	\$ 1,170.00	\$ 2,350.00	\$ 1,170.00	\$ 2,350.00	\$ 3,520.00
136	4-inch Compound Meter	\$ 1,230.00	\$ 3,245.00	\$ 4,475.00	\$ 1,230.00	\$ 3,245.00	\$ 1,230.00	\$ 3,245.00	\$ 4,475.00
137	6-inch Turbine Meter	\$ 1,730.00	\$ 4,545.00	\$ 6,275.00	\$ 1,730.00	\$ 4,545.00	\$ 1,730.00	\$ 4,545.00	\$ 6,275.00
138	6-inch Compound Meter	\$ 1,770.00	\$ 6,280.00	\$ 8,050.00	\$ 1,770.00	\$ 6,280.00	\$ 1,770.00	\$ 6,280.00	\$ 8,050.00
139	8-inch or Larger	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
140									

141 (a) As meters and service line are now taxable income for income purposes, the Company shall collect income taxes on the meter and service line
142 charges. Any tax collected will be refunded each year as the meter deposit is refunded.
143

NONE NONE NONE

144
145 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM IT CUSTOMERS A PROPORTIONATE SHARE
146 OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-009D(5).
147

148 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS, AND ALL APPLICABLE TAXES, INCLUDING
149 ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.
150

Typical Bill Analysis
General Service 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	8,450	\$ 32.37	\$ 44.16	\$ 11.79	36.41%
Median Usage	5,500	24.94	34.03	\$ 9.09	36.43%
Staff Recommended					
Average Usage	8,450	\$ 32.37	\$ 36.46	\$ 4.09	12.63%
Median Usage	5,500	24.94	27.85	\$ 2.91	11.67%

Present & Proposed Rates (Without Taxes)
General Service 3/4-Inch Meter

Gallons	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
Consumption					
-	\$ 13.60	\$ 18.56	36.47%	\$ 15.00	10.29%
1,000	15.28	20.85	36.47%	16.85	10.27%
2,000	16.96	23.14	36.46%	18.70	10.26%
3,000	18.64	25.44	36.46%	20.55	10.25%
4,000	21.16	28.87	36.45%	23.47	10.92%
5,000	23.68	32.31	36.44%	26.39	11.44%
5,500	24.94	34.03	36.43%	27.85	11.67%
6,000	26.20	35.74	36.43%	29.31	11.87%
7,000	28.72	39.18	36.42%	32.23	12.22%
8,000	31.24	42.62	36.41%	35.15	12.52%
9,000	33.76	46.05	36.41%	38.07	12.77%
8,450	32.37	44.16	36.41%	36.46	12.63%
10,000	36.79	50.19	36.41%	41.40	12.53%
11,000	39.82	54.32	36.41%	44.73	12.33%
12,000	42.85	58.45	36.42%	48.06	12.16%
13,000	45.88	62.59	36.42%	51.39	12.01%
14,000	48.91	66.72	36.42%	54.72	11.88%
15,000	51.94	70.86	36.42%	58.05	11.76%
16,000	54.97	74.99	36.42%	61.38	11.66%
17,000	58.00	79.12	36.42%	64.71	11.57%
18,000	61.03	83.26	36.42%	68.04	11.49%
19,000	64.06	87.39	36.42%	71.37	11.41%
20,000	67.09	91.53	36.42%	74.70	11.34%
25,000	82.24	112.20	36.43%	91.35	11.08%
30,000	97.39	132.87	36.43%	108.00	10.89%
35,000	112.54	153.54	36.43%	124.65	10.76%
40,000	127.69	174.21	36.43%	141.30	10.66%
45,000	142.84	194.88	36.43%	157.95	10.58%
50,000	157.99	215.55	36.43%	174.60	10.51%
75,000	233.74	318.90	36.43%	257.85	10.31%
100,000	309.49	422.25	36.43%	341.10	10.21%

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN COST COMPARISONS

Page 1 of 3

LINE NO.	CUSTOMER CLASS	CURRENT RATES			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential 3/4"	8,450	\$ 32.37	5,500	\$ 24.94
2	Residential 1"	10,095	\$ 48.14	7,500	\$ 99.58
3	Residential 1.5"	29,821	\$ 148.15	21,500	\$ 303.58
4	Residential 2"	72,924	\$ 256.77	91,500	\$ 303.58
5	Residential 3"	70,226	\$ 322.97	83,000	\$ 355.16
6					
6	Commerical 3/4"	11,528	\$ 43.94	4,501	\$ 24.94
7	Commerical 1"	17,907	\$ 67.83	5,500	\$ 36.56
8	Commerical 1.5"	47,736	\$ 165.69	13,500	\$ 79.42
9	Commerical 2"	68,389	\$ 245.34	21,500	\$ 127.18
10	Commerical 3"	34,550	\$ 233.07	11,500	\$ 174.98
11	Commerical 4"	186,146	\$ 696.09	79,500	\$ 427.34
12					
13	Industrial 3/4"	5,375	\$ 153.65	3,500	\$ 13.60
14	Industrial 1"	-	\$ 217.68	-	\$ 22.70
15	Industrial 1.5"	8,000	\$ 132.57	-	\$ 45.50
16					
17	Irrigation 3/4"	16,732	\$ 39.70	8,500	\$ 26.86
18	Irrigation 1"	41,781	\$ 87.88	15,500	\$ 46.88
19	Irrigation 1.5"	76,173	\$ 164.23	24,500	\$ 83.62
20	Irrigation 2"	116,346	\$ 254.50	63,000	\$ 171.28
21	Irrigation 4"	1,813,070	\$ 3,055.39	157,000	\$ 471.92
22	Irrigation 6"	5,451,042	\$ 8,957.63	1,312,000	\$ 2,500.72
23					
24	Construction 3/4"	959	\$ 15.10	-	\$ 13.60
25	Construction 1"	11,803	\$ 41.11	11,500	\$ 40.64
26	Construction 2"	36,000	\$ 129.16	59,000	\$ 165.04
27	Construction 3"	180,662	\$ 427.83	19,500	\$ 176.42
28	Construction 4"	94,500	\$ 374.42	106,000	\$ 392.36
29					
30	Fire Hydrant (Standpipe) 3"	26,121	\$ 211.82	9,500	\$ 169.94
31	Fire Hydrant (Standpipe) 4"	516,917	\$ 1,529.63	561,500	\$ 1,641.98
32					
33	Fire Sprinkler 3/4"	3	\$ 10.01	-	\$ 10.00
34	Fire Sprinkler 1"	63	\$ 10.16	-	\$ 10.00
35	Fire Sprinkler 1.5"	28	\$ 10.07	-	\$ 10.00

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential 3/4"	8,450	\$ 44.17	5,500	\$ 34.03
2	Residential 1"	10,095	\$ 65.68	7,500	\$ 145.87
3	Residential 1.5"	29,821	\$ 202.13	21,500	\$ 414.19
4	Residential 2"	72,924	\$ 350.32	91,500	\$ 414.19
5	Residential 3"	70,226	\$ 440.65	83,000	\$ 484.56
6					
6	Commerical 3/4"	11,528	\$ 59.95	4,501	\$ 34.03
7	Commerical 1"	17,907	\$ 92.53	5,500	\$ 49.88
8	Commerical 1.5"	47,736	\$ 236.07	13,500	\$ 118.36
9	Commerical 2"	68,389	\$ 334.73	21,500	\$ 173.53
10	Commerical 3"	34,550	\$ 317.99	11,500	\$ 238.75
11	Commerical 4"	186,146	\$ 949.71	79,500	\$ 583.06
12					
13	Industrial 3/4"	5,375	\$ 209.64	3,500	\$ 18.56
14	Industrial 1"	-	\$ 296.99	-	\$ 30.97
15	Industrial 1.5"	8,000	\$ 190.73	-	\$ 71.95
16					
17	Irrigation 3/4"	16,732	\$ 76.08	8,500	\$ 47.78
18	Irrigation 1"	41,781	\$ 174.61	15,500	\$ 84.26
19	Irrigation 1.5"	76,173	\$ 333.83	24,500	\$ 156.18
20	Irrigation 2"	116,346	\$ 499.61	63,000	\$ 316.20
21	Irrigation 4"	1,813,070	\$ 6,543.07	157,000	\$ 849.51
22	Irrigation 6"	5,451,042	\$ 19,360.15	1,312,000	\$ 5,130.13
23					
24	Construction 3/4"	959	\$ 21.86	-	\$ 18.56
25	Construction 1"	11,803	\$ 71.55	11,500	\$ 70.51
26	Construction 2"	36,000	\$ 223.38	59,000	\$ 302.45
27	Construction 3"	180,662	\$ 820.33	19,500	\$ 266.25
28	Construction 4"	94,500	\$ 634.63	106,000	\$ 674.17
29					
30	Fire Hydrant (Standpipe) 3"	26,121	\$ 289.01	9,500	\$ 231.87
31	Fire Hydrant (Standpipe) 4"	516,917	\$ 2,086.90	561,500	\$ 2,240.18
32					
33	Fire Sprinkler 3/4"	3	\$ 10.01	-	\$ 10.00
34	Fire Sprinkler 1"	63	\$ 10.22	-	\$ 10.00
35	Fire Sprinkler 1.5"	28	\$ 10.10	-	\$ 10.00

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED RATES			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential 3/4"	8,450	\$ 36.46	5,500	\$ 27.85
2	Residential 1"	10,095	\$ 54.48	7,500	\$ 110.78
3	Residential 1.5"	29,821	\$ 164.08	21,500	\$ 344.18
4	Residential 2"	72,924	\$ 289.94	91,500	\$ 344.18
5	Residential 3"	70,226	\$ 355.06	83,000	\$ 392.36
6					
6	Commerical 3/4"	11,528	\$ 49.70	4,501	\$ 28.14
7	Commerical 1"	17,907	\$ 77.29	5,500	\$ 41.06
8	Commerical 1.5"	47,736	\$ 187.39	13,500	\$ 87.42
9	Commerical 2"	68,389	\$ 276.70	21,500	\$ 139.78
10	Commerical 3"	34,550	\$ 250.89	11,500	\$ 183.58
11	Commerical 4"	186,146	\$ 773.55	79,500	\$ 462.14
12					
13	Industrial 3/4"	5,375	\$ 170.27	3,500	\$ 15.00
14	Industrial 1"	-	\$ 242.90	-	\$ 25.00
15	Industrial 1.5"	8,000	\$ 148.89	-	\$ 48.00
16					
17	Irrigation 3/4"	16,732	\$ 63.86	8,500	\$ 39.82
18	Irrigation 1"	41,781	\$ 147.00	15,500	\$ 70.26
19	Irrigation 1.5"	76,173	\$ 270.43	24,500	\$ 119.54
20	Irrigation 2"	116,346	\$ 416.73	63,000	\$ 260.96
21	Irrigation 4"	1,813,070	\$ 5,524.16	157,000	\$ 688.44
22	Irrigation 6"	5,451,042	\$ 16,377.04	1,312,000	\$ 4,291.04
23					
24	Construction 3/4"	959	\$ 17.80	-	\$ 15.00
25	Construction 1"	11,803	\$ 59.46	11,500	\$ 58.58
26	Construction 2"	36,000	\$ 153.12	59,000	\$ 220.28
27	Construction 3"	180,662	\$ 604.53	19,500	\$ 133.94
28	Construction 4"	94,500	\$ 425.94	106,000	\$ 459.52
29					
30	Fire Hydrant (Standpipe) 3"	26,121	\$ 226.27	9,500	\$ 177.74
31	Fire Hydrant (Standpipe) 4"	516,917	\$ 1,739.40	561,500	\$ 1,869.58
32					
33	Fire Sprinkler 3/4"	3	\$ 10.01	-	\$ 10.00
34	Fire Sprinkler 1"	63	\$ 10.18	-	\$ 10.00
35	Fire Sprinkler 1.5"	28	\$ 10.08	-	\$ 10.00

BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION OF)
CHAPARRAL CITY WATER COMPANY, INC.,)
AN ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE CURRENT FAIR)
VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES FOR UTILITY)
BASED THEREON)

DOCKET NO. W-02113A-07551

SURREBUTTAL

TESTIMONY

OF

MARVIN E. MILLSAP

PUBLIC UTILITIES ANALYST IV

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

NOVEMBER 20, 2008

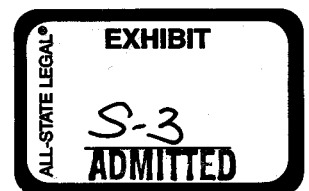


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**EXECUTIVE SUMMARY
CHAPARRAL CITY WATER COMPANY, INC.
DOCKET NO. W-02113A-07-0551**

The surrebuttal testimony of Staff witness Marvin E. Millsap responds to various parts of Mr. Hanford's and Mr. Bourassa's rebuttal testimonies. Staff is making one change to the recommendations presented in its direct testimony.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Marvin E. Millsap. I am a Public Utilities Analyst IV employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Marvin E. Millsap who filed direct testimony in this case?

A. Yes I am.

Q. What is the purpose of your surrebuttal testimony in this proceeding?

A. The purpose of my surrebuttal testimony in this proceeding is to respond to the Company's proposed surcharge allowing Chaparral City Water Company, Inc. ("CCWC") to collect the additional revenues not collected during the time period of the Appeal and Remand process authorized by Decision No. 70441. Further, to respond to Company witnesses Mr. Hanford and Mr. Bourassa rebuttal testimonies.

Q. What is the dollar amount the Company requested in its tariff filing?

A. \$51,542.00.

Q. Does Staff agree with the amount requested?

A. No. Staff calculates that the un-recovered balance of additional revenues resulting from the remand decision is \$38,562 (\$36,396 plus interest of \$2,166) through December 1, 2008, Staff calculates the accumulated interest on \$36,396 to be \$2,166.

1 Q. How many thousands of gallons of water were sold in 2007 per CCWC's annual
2 report?

3 A. 2,005,550.
4

5 Q. What is Staff's recommended surcharge amount?

6 A. The surcharge should be \$0.19228 per thousand gallons sold until the \$38,562 has been
7 collected in full.
8

9 **RESPONSE TO MR. HANFORD'S REBUTTAL TESTIMONY**

10 Q. Has Staff reviewed Mr. Hanford's rebuttal testimony concerning Staff's
11 recommendation that all of the proceeds from the Settlement with the Fountain Hills
12 Sanitation District ("FHSD") be allocated to the ratepayers?

13 A. Yes.
14

15 Q. Does Staff agree with Mr. Hanford's rebuttal testimony?

16 A. No.
17

18 Q. Is Staff's recommendation consistent with prior Commission decisions?

19 A. Every case that comes before the Commission is different and is considered upon the
20 merits, facts and circumstances related to that case and that case alone.
21

22 Q. Did CCWC seek Commission guidance on how the settlement proceeds should be
23 treated?

24 A. No.

1 **Q.** Please respond to Mr. Hanford's rebuttal testimony that "The bottom line appears
2 that Mr. Millsap cannot explain the basis for his explanation". ("Hanford Rb") at 9.

3 **A.** Mr. Millsap's recommendation for rate case expense is based on the classification of the
4 utilities involved and also mentions other water companies in Arizona so this is a
5 mischaracterization of Mr. Millsap's response to CCWC's data request.

6
7 **Q.** Please respond to Mr. Hanford's rebuttal testimony that "For one thing, Staff
8 bombarded us with discovery in this rate case, serving more than 300 data requests
9 (counting subparts)". ("Hanford Rb") at 9.

10 **A.** Staff has an obligation to the Administrative Law Judge, and the Commission expects,
11 Staff to perform adequate analysis and review in order for it to make appropriate
12 recommendations. There are no rules or regulations that limit the amount of discovery. In
13 the instant case many follow-up questions were required.

14
15 **Q.** What is the Company's position concerning rate case expense?

16 **A.** That it should be amortized.

17
18 **Q.** What is the Staff's position concerning rate case expense?

19 **A.** Staff believes that it should be normalized.

20

21 **RESPONSE TO MR. BOURASSA'S REBUTTAL TESTIMONY**

22 **Q.** Has Staff reviewed Mr. Bourassa's changes in CCWC's revenue requirement
23 outlined in his rebuttal testimony? ("Bourassa Rb") at 1-3.

24 **A.** Yes.

1 Q. Does Staff agree with Mr. Bourassa's changes?

2 A. No, Staff believes that a fifty-fifty sharing of the settlement proceeds is not appropriate.

3

4 Q. Has Staff reviewed Mr. Bourassa's rebuttal testimony "However, Staff understates
5 its adjustment to accumulated depreciation for transportation equipment"?
6 ("Bourassa Rb") at 11.

7 A. Yes.

8

9 Q. Does Staff agree with Mr. Bourassa's rebuttal testimony?

10 A. No, CCWC's response to data request MEM-7.5 lists the original cost and accumulated
11 depreciation for each vehicle, which totals \$43,666.60 rather than equals the original cost
12 of \$274,001 as would be the case if these vehicles were fully depreciated.

13

14 Q. Has Staff reviewed Mr. Bourassa's rebuttal testimony that "... I computed
15 amortization (referring to the FHSD settlement proceeds) for 2005 and 2006 using a
16 half-year convention, whereas Staff computed amortization for 2005 and 2006 using
17 a full-year convention"? ("Bourassa Rb") at 13.

18 A. Yes.

19

20 Q. Does Staff agree with Mr. Bourassa's rebuttal testimony?

21 A. No. The half-year convention is appropriate for current year additions to asset classes in
22 which the exact acquisition date is either not known or if it is convenient to just assume
23 that all additions were at mid-year on the premise that half of the cost occurred before and
24 half after mid-year so the average depreciation or amortization would be the same as
25 computing it from the actual acquisition date. This is not appropriate for the FHSD
26 settlement payment because there is only one date involved – the date the proceeds were

1 received. Since the proceeds were received early in February of 2005, Staff began
2 amortization from January 1st, which increased the amortization for 2005 by \$12,667 more
3 than it would have been if February 1st had been used, but had no 2006 test year effect.
4

5 **Q. Has Staff reviewed Mr. Bourassa's rebuttal testimony statement: "Is Staff's**
6 **depreciation expense different than the company's?" ("Bourassa Rb") at 16.**

7 **A. Yes.**
8

9 **Q. Does Staff agree with Mr. Bourassa's rebuttal testimony?**

10 **A. Staff agrees that this difference is attributable to the 2.8 percent General Office Plant**
11 **allocation rather than the 4.0 percent used by Staff, which it still considers to more**
12 **appropriately match test year revenues, operating expenses and plant.**
13

14 **Q. Has Staff reviewed Mr. Bourassa's rebuttal testimony concerning Staff's**
15 **adjustments to normalize chemicals, repairs and maintenance and insurance**
16 **expenses? ("Bourassa Rb") at 31 - 32.**

17 **A. Yes.**
18

19 **Q. Does Staff agree with Mr. Bourassa's rebuttal testimony?**

20 **A. No. Normalizing is a basic ratemaking principle. Its purpose is to make the test year as**
21 **normal as possible for the purpose of setting rates that are just and reasonable for the**
22 **ratepayers and investors.**
23

24 **Q. Has Staff reviewed Mr. Bourassa's rebuttal testimony concerning Staff's**
25 **adjustments to normalize insurance expense?**

26 **A. Yes.**

1 **Q. What does Staff recommend regarding insurance expense?**

2 A. Staff recommends that the negative \$1,294 be used for the test year instead of a
3 normalized amount.

4
5 **Q. Has Staff reviewed Mr. Bourassa's rebuttal testimony concerning Staff's**
6 **adjustments to normalize chemicals expense?**

7 A. Yes.

8
9 **Q. Does Staff agree with Mr. Bourassa's rebuttal testimony?**

10 A. No.

11
12 **Q. Has Staff reviewed Mr. Bourassa's rebuttal testimony concerning Staff's**
13 **adjustments to normalize repairs and maintenance expense?**

14 A. Yes.

15
16 **Q. Does Staff agree with Mr. Bourassa's rebuttal testimony?**

17 A. No.

18
19 **Q. Does this conclude your surrebuttal testimony?**

20 A. Yes, it does.

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

7008 OCT 10 A 11: 58

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
CHAPARRAL CITY WATER COMPANY, INC.,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
ITS UTILITY PLANT AND PROPERTY AND
FOR INCREASES IN ITS RATES AND
CHARGES FOR UTILITY SERVICE BASED
THEREON.

DOCKET NO. W-02113A-07-0551

NOTICE OF ERRATA

Staff of the Arizona Corporation Commission ("Staff") hereby files a Notice of Errata in the Direct Testimony of Marvin E. Millsap of the Utilities Division in the above-referenced matter. The revised Schedule MEM-29 attached has been revised to reflect a correction of lines 2 and 3 on page 1, lines 2 and 3 on page 2 and lines 2 and 3 on page 3.

RESPECTFULLY SUBMITTED this 10th day of October, 2008.




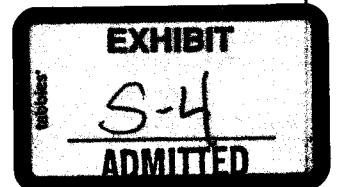
Robin R. Mitchell, Staff Attorney
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Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Original and thirteen (13) copies of the foregoing filed this 10th day of October, 2008 with:

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Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED
OCT 10 2008

DOCKETED BY 



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Aphley L. Hodge

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN COST COMPARISONS

Page 1 of 3

LINE NO.	CUSTOMER CLASS	CURRENT RATES			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential 3/4"	8,450	\$ 32.37	5,500	\$ 24.94
2	Residential 1"	10,095	\$ 48.14	7,500	\$ 41.60
3	Residential 1.5"	29,821	\$ 148.15	21,500	\$ 99.58
4	Residential 2"	72,924	\$ 256.77	91,500	\$ 303.58
5	Residential 3"	70,226	\$ 322.97	83,000	\$ 355.16
6					
6	Commerical 3/4"	11,528	\$ 43.94	4,501	\$ 24.94
7	Commerical 1"	17,907	\$ 67.83	5,500	\$ 36.56
8	Commerical 1.5"	47,736	\$ 165.89	13,500	\$ 79.42
9	Commerical 2"	68,389	\$ 245.34	21,500	\$ 127.18
10	Commerical 3"	34,550	\$ 233.07	11,500	\$ 174.98
11	Commerical 4"	186,146	\$ 696.09	79,500	\$ 427.34
12					
13	Industrial 3/4"	5,375	\$ 153.65	3,500	\$ 13.60
14	Industrial 1"	-	\$ 217.68	-	\$ 22.70
15	Industrial 1.5"	8,000	\$ 132.57	-	\$ 45.50
16					
17	Irrigation 3/4"	16,732	\$ 39.70	8,500	\$ 26.86
18	Irrigation 1"	41,781	\$ 87.88	15,500	\$ 46.88
19	Irrigation 1.5"	76,173	\$ 164.23	24,500	\$ 83.62
20	Irrigation 2"	116,346	\$ 254.50	63,000	\$ 171.28
21	Irrigation 4"	1,813,070	\$ 3,055.39	157,000	\$ 471.92
22	Irrigation 6"	5,451,042	\$ 8,957.63	1,312,000	\$ 2,500.72
23					
24	Construction 3/4"	959	\$ 15.10	-	\$ 13.60
25	Construction 1"	11,803	\$ 41.11	11,500	\$ 40.64
26	Construction 2"	36,000	\$ 129.16	59,000	\$ 165.04
27	Construction 3"	180,662	\$ 427.83	19,500	\$ 176.42
28	Construction 4"	94,500	\$ 374.42	106,000	\$ 392.36
29					
30	Fire Hydrant (Standpipe) 3"	26,121	\$ 211.82	9,500	\$ 169.94
31	Fire Hydrant (Standpipe) 4"	516,917	\$ 1,529.63	561,500	\$ 1,641.98
32					
33	Fire Sprinkler 3/4"	3	\$ 10.01	-	\$ 10.00
34	Fire Sprinkler 1"	63	\$ 10.16	-	\$ 10.00
35	Fire Sprinkler 1.5"	28	\$ 10.07	-	\$ 10.00

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential 3/4"	8,450	\$ 44.17	5,500	\$ 34.03
2	Residential 1"	10,095	\$ 65.68	7,500	\$ 56.76
3	Residential 1.5"	29,821	\$ 202.13	21,500	\$ 145.87
4	Residential 2"	72,924	\$ 350.32	91,500	\$ 414.19
5	Residential 3"	70,226	\$ 440.65	83,000	\$ 484.56
6					
6	Commerical 3/4"	11,528	\$ 59.95	4,501	\$ 34.03
7	Commerical 1"	17,907	\$ 92.53	5,500	\$ 49.88
8	Commerical 1.5"	47,736	\$ 236.07	13,500	\$ 118.36
9	Commerical 2"	68,389	\$ 334.73	21,500	\$ 173.53
10	Commerical 3"	34,550	\$ 317.99	11,500	\$ 238.75
11	Commerical 4"	186,146	\$ 949.71	79,500	\$ 583.06
12					
13	Industrial 3/4"	5,375	\$ 209.64	3,500	\$ 18.56
14	Industrial 1"	-	\$ 296.99	-	\$ 30.97
15	Industrial 1.5"	8,000	\$ 190.73	-	\$ 71.95
16					
17	Irrigation 3/4"	16,732	\$ 76.08	8,500	\$ 47.78
18	Irrigation 1"	41,781	\$ 174.61	15,500	\$ 84.26
19	Irrigation 1.5"	76,173	\$ 333.83	24,500	\$ 156.18
20	Irrigation 2"	116,346	\$ 499.61	63,000	\$ 316.20
21	Irrigation 4"	1,813,070	\$ 6,543.07	157,000	\$ 849.51
22	Irrigation 6"	5,451,042	\$ 19,360.15	1,312,000	\$ 5,130.13
23					
24	Construction 3/4"	959	\$ 21.86	-	\$ 18.56
25	Construction 1"	11,803	\$ 71.55	11,500	\$ 70.51
26	Construction 2"	36,000	\$ 223.38	59,000	\$ 302.45
27	Construction 3"	180,662	\$ 820.33	19,500	\$ 266.25
28	Construction 4"	94,500	\$ 634.63	106,000	\$ 674.17
29					
30	Fire Hydrant (Standpipe) 3"	26,121	\$ 289.01	9,500	\$ 231.87
31	Fire Hydrant (Standpipe) 4"	516,917	\$ 2,086.90	561,500	\$ 2,240.18
32					
33	Fire Sprinkler 3/4"	3	\$ 10.01	-	\$ 10.00
34	Fire Sprinkler 1"	63	\$ 10.22	-	\$ 10.00
35	Fire Sprinkler 1.5"	28	\$ 10.10	-	\$ 10.00

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED RATES			
		AVERAGE		MEDIAN	
		USAGE	DOLLARS	USAGE	DOLLARS
1	Residential 3/4"	8,450	\$ 36.46	5,500	\$ 27.85
2	Residential 1"	10,095	\$ 54.48	7,500	\$ 46.90
3	Residential 1.5"	29,821	\$ 164.08	21,500	\$ 110.78
4	Residential 2"	72,924	\$ 289.94	91,500	\$ 344.18
5	Residential 3"	70,226	\$ 355.06	83,000	\$ 392.36
6					
6	Commerical 3/4"	11,528	\$ 49.70	4,501	\$ 28.14
7	Commerical 1"	17,907	\$ 77.29	5,500	\$ 41.06
8	Commerical 1.5"	47,736	\$ 187.39	13,500	\$ 87.42
9	Commerical 2"	68,389	\$ 276.70	21,500	\$ 139.78
10	Commerical 3"	34,550	\$ 250.89	11,500	\$ 183.58
11	Commerical 4"	186,146	\$ 773.55	79,500	\$ 462.14
12					
13	Industrial 3/4"	5,375	\$ 170.27	3,500	\$ 15.00
14	Industrial 1"	-	\$ 242.90	-	\$ 25.00
15	Industrial 1.5"	8,000	\$ 148.89	-	\$ 48.00
16					
17	Irrigation 3/4"	16,732	\$ 63.86	8,500	\$ 39.82
18	Irrigation 1"	41,781	\$ 147.00	15,500	\$ 70.26
19	Irrigation 1.5"	76,173	\$ 270.43	24,500	\$ 119.54
20	Irrigation 2"	116,346	\$ 416.73	63,000	\$ 260.96
21	Irrigation 4"	1,813,070	\$ 5,524.16	157,000	\$ 688.44
22	Irrigation 6"	5,451,042	\$ 16,377.04	1,312,000	\$ 4,291.04
23					
24	Construction 3/4"	959	\$ 17.80	-	\$ 15.00
25	Construction 1"	11,803	\$ 59.46	11,500	\$ 58.58
26	Construction 2"	36,000	\$ 153.12	59,000	\$ 220.28
27	Construction 3"	180,662	\$ 604.53	19,500	\$ 133.94
28	Construction 4"	94,500	\$ 425.94	106,000	\$ 459.52
29					
30	Fire Hydrant (Standpipe) 3"	26,121	\$ 226.27	9,500	\$ 177.74
31	Fire Hydrant (Standpipe) 4"	516,917	\$ 1,739.40	561,500	\$ 1,869.58
32					
33	Fire Sprinkler 3/4"	3	\$ 10.01	-	\$ 10.00
34	Fire Sprinkler 1"	63	\$ 10.18	-	\$ 10.00
35	Fire Sprinkler 1.5"	28	\$ 10.08	-	\$ 10.00

BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-02113A-07-0551
CHAPARRAL CITY WATER COMPANY, INC.,)
AN ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE FAIR VALUE OF)
ITS UTILITY PLANT AND PROPERTY AND)
FOR INCREASES IN ITS RATES AND)
CHARGES FOR UTILITY SERVICE BASED)
THEREON)

DIRECT

TESTIMONY

OF

GORDON L. FOX

PUBLIC UTILITIES ANALYST MANAGER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

OCTOBER 3, 2008



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**EXECUTIVE SUMMARY
CHAPARRAL CITY WATER COMPANY
DOCKET NO. W-02113A-07-0551**

The direct testimony of Staff witness Gordon L. Fox addresses the following issues:

Operating Income Calculation – Staff recommends that the Commission adopt a method of calculating operating income that largely follows the method adopted in Chaparral City Water Company, Inc.'s ("Chaparral City" or "Applicant") remand proceeding (Decision No. 70441). Staff's specific recommendation modestly refines the previously adopted method to more closely follow financial theory and to symmetrically match the inflation components recognized in the fair value rate of return ("FVROR") and fair value rate base ("FVRB").

Staff further recommends that the Commission reject the Applicant's proposal to calculate operating income by multiplying the weighted average cost of capital ("WACC") by the fair value rate base ("FVRB") for the same reason that method was rejected in Decision No. 70441 – it overstates the impact of inflation resulting in rates that are not just and reasonable.

I. INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Gordon L. Fox. I am a Public Utilities Analyst Manager employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Briefly describe your responsibilities as a Public Utilities Analyst Manager.

A. In my capacity as a Public Utilities Analyst Manager, I supervise analysts whose duties include preparation of testimonies to provide the Commission with Staff recommendations regarding rate base, operating income, cost of capital, rate design, securities issuance and other financial regulatory matters.

Q. Please describe your educational background and professional experience.

A. I have eighteen years of regulatory utility auditing and rate analysis experience (15 years at the Commission and 3 years at RUCO) and four years of experience with a cable TV utility with responsibility for preparing and presenting rate applications before jurisdictional authorities. I have master and bachelor degrees in Accounting, and I have earned the following professional accounting and finance certifications: Certified Public Accountant ("CPA"), Certified Management Accountant ("CMA") and Certified in Financial Management ("CFM").

Q. What is the purpose of your testimony in this case?

A. The purpose of my testimony is to present Staff's recommended method for calculating the operating income for Chaparral City Water Company, Inc. ("Chaparral City" or "Applicant") in this proceeding.

1 **II. OPERATING INCOME METHOD**

2 **Q. Has the method for calculating operating income been a contentious issue in**
3 **Chaparral City's prior rate case?**

4 A. Yes. In the Applicant's prior rate case, the Commission issued Decision No. 68176, dated
5 September 30, 2005, authorizing rates that included an operating income that was
6 determined in a manner consistent with many traditional similar decisions. That is, the
7 operating income was determined by multiplying the weighted average cost of capital
8 ("WACC") by the original cost rate base. The resulting product was then divided by the
9 fair value rate base ("FVRB") to determine a fair value rate of return ("FVROR"). Under
10 this method, the operating income determined by multiplying the fair value rate base times
11 the fair value rate of return provides the same operating income as multiplying the WACC
12 by the original cost rate base.

13
14 Chaparral City objected to this method of calculating operating income, and it appealed
15 the Commission's decision to the Arizona Court of Appeals, arguing that the Commission
16 did not use the fair value of the Company's assets in determining its rates.

17
18 **Q. What did the Arizona Court of Appeals conclude?**

19 A. On February 13, 2007, the Arizona Court of Appeals issued a Memorandum Decision,
20 affirming in part, vacating, and remanding Decision No. 68176 to the Commission for
21 further determination. The Arizona Court of Appeals found that the Commission did not
22 comply with Article 15, Section 14, of the Arizona Constitution when it set the
23 Company's rates based on original cost instead of the fair value of Chaparral City's
24

1 property. However, the Arizona Court of Appeals pointed out that: "If the Commission
2 determines that the cost of capital analysis is not the appropriate methodology to
3 determine the rate of return to be applied to the Fair Value Rate Base ("FVRB"), the
4 Commission has the discretion to determine the appropriate methodology."¹
5

6 **Q. Did the Commission conduct a remand proceeding and establish rates using a**
7 **different method of calculating operating income than the method used in Decision**
8 **No. 68176?**

9 **A.** Yes. The Commission issued Decision No. 70441, dated July 28, 2008, finding a revised
10 operating income based on a method of calculating operating income that is different from
11 the method used in Decision No. 68176.
12

13 **Q. Please describe the method of calculating operating income adopted in Decision**
14 **No. 70441.**

15 **A.** The Commission calculated the operating income by multiplying the FVROR times the
16 FVRB. The Commission used a FVRB that reflects a 50/50 weighting of the original cost
17 rate base ("OCRB") and the reconstruction cost new rate base ("RCND"). This issue was
18 not disputed by the parties.
19

20 By contrast, the method for determining the FVROR was in dispute. The Applicant urged
21 the Commission to apply the WACC to the FVRB. Both Staff and RUCO presented
22 various alternatives. The Commission adopted a FVROR based on the WACC modified to
23 reflect a 2.00 percent reduction to the cost of equity but not to the cost of debt as shown in
24 Table 1 below.

¹ Arizona Court of Appeals, Memorandum Decision, Page 13, Paragraph 17.

Table 1

Description	Weight (%)	Cost	Inflation Adjustment	Net Cost	FVROR
Debt	41.27%	5.1%	0.00%	5.1%	2.11%
Equity	58.73%	9.3%	2.00%	7.3%	4.29%
Total	100.00%				6.40%

I refer to this method as "Method One" going forward.

Q. How did Staff approach the determination of the fair value rate of return in this proceeding?

A. In reading Decision No. 70441, Staff concluded that the Commission had established Method One as its fundamentally preferred method at this time. This method uses the fair value of property to determine operating income with no direct connection to the original cost of the plant. Staff also interpreted the Commission's decision to recognize that this new method may benefit from refinements and that refinements were envisioned and invited.

Q. Does Staff recommended method in this case largely follows Method One?

A. Yes. Staff's recommended fair value calculation of operating income in this proceeding follows the general framework of Method One with some minor changes. Staff's method is consistent with Method One in that it continues to use a FVRB that is the average of the OCRB and the RCND, and it uses the fair value of property to determine operating income with no direct connection to the original cost of the plant. Staff's method also reduces the cost of capital for inflation. The mechanics of Staff's the inflation adjustment to the cost of capital reflect a refinement from Method One.

1 **Q. Why did Staff modify the mechanics of the inflation adjustment component of the**
2 **FVROR?**

3 A. Decision No. 70441 states, "Although we believe that the cost of debt may reflect the
4 effects of inflation, we are not convinced that the evidence presented in this proceeding is
5 developed sufficiently to make that determination with certainty."² Thus, the Commission
6 elected not to reduce the cost of debt for inflation due to inadequacies in the record as
7 opposed to any conceptual deficiency. As discussed below, inflation is a widely
8 recognized component of the cost of debt. Accordingly, Staff recommends a FVROR that
9 includes an adjustment to remove the inflation component, i.e., an "accretion return" from
10 the cost of debt.

11
12 **Q. Is inflation widely recognized as a component of debt cost?**

13 A. Yes. Recognition of inflation as a component of the cost of debt is ubiquitous in financial
14 literature. A review of financial references regularly used by Staff revealed no position
15 contradicting that inflation is a component of debt cost. To the contrary, the references
16 that discuss debt components are in unanimous agreement that inflation is a component of
17 debt cost. Dr. Erich A Helfert, a former faculty member at the Harvard Graduate School
18 of Business, in his popular book *Techniques of Financial Analysis* made the following
19 statement that captures the effect of inflation on debt and other securities (i.e., equity):

² P. 36.

1 “The risk-free return on a government bond does implicitly allow for the expected level of
2 inflation inasmuch as expectations about future inflationary conditions affect the yield
3 from such securities. When inflation abates, the yields decline – as dramatically occurred
4 in the mid-1980s and early 1990s. When inflation expectations rise, so do bond yields.
5 The same is true of yield from other financial instruments.

6
7 The spectrum of returns ranging from risk-free bonds to those
8 on speculative securities is also consistent in reflecting the effects
9 of inflation”³

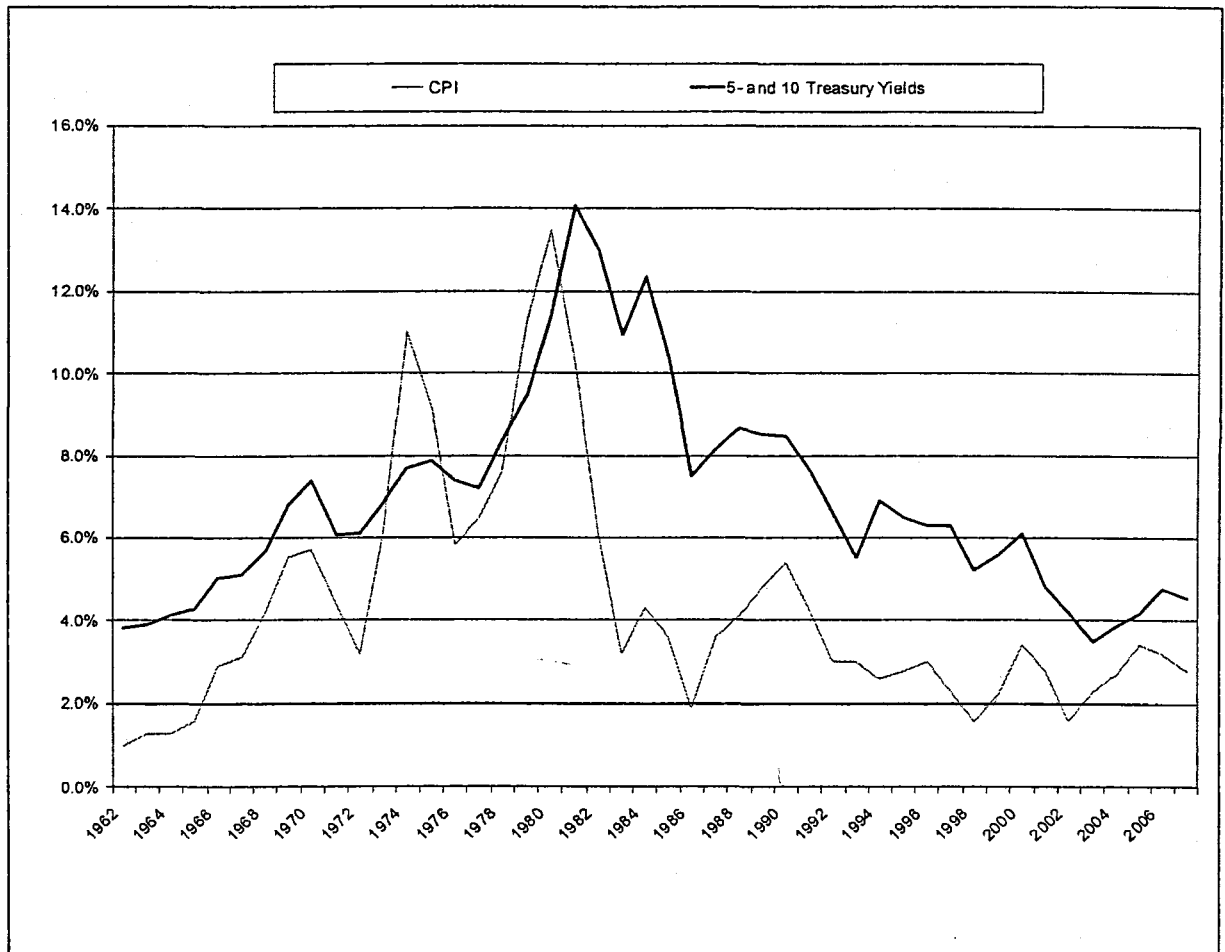
10
11 As Dr. Helfert explained, inflation is a component of the returns for all debt and equity
12 securities.

13
14 **Q. Did Staff compile any empirical evidence to demonstrate the correlation between**
15 **inflation and the cost of debt?**

16 **A.** Yes. Due to the lag between inflation and market responses realized as changes in the cost
17 of debt, the correlation between inflation and the cost of debt is best demonstrated
18 graphically. Chart 1 below presents the average of 5- and 10-year interest rates on U.S.
19 Treasuries and the Consumer Price Index – All Urban Consumers (a commonly used
20 measure of inflation) for the years 1962 through 2007.

³ Helfert, Erich A., Techniques of Financial Analysis. 1994. IRWIN. pp. 363-64.

Chart 1



The Chart shows a high correlation of interest rates with inflation.

Q. Do the mechanics of Staff's the inflation adjustment component differ from Method One in any way other than that it reduces the cost of debt as well as the cost of equity?

A. Yes. While Staff recommends removal of an inflation component from the cost of equity and the cost of debt, only half of the inflation component should be removed.

1 **Q. Please explain why Staff recommends removing only half of the inflation component**
2 **from capital costs.**

3 A. Method One uses a FVRB that is the average of the OCRB and the RCND. The OCRB
4 includes no inflation factor. Thus, if the inflation adjustment is made for the entire
5 inflation component of capital costs, the downward adjustment to the FVROR will be
6 greater than the upward inflation recognized in the FVRB for reasons other than market
7 forces. As a result of this lack of symmetry, when the FVROR is multiplied by the FVRB
8 to compute operating income, the calculation will be skewed downward. Removing only
9 half of the inflation component from the equity and debt costs maintains symmetry
10 between the FVROR and the FVRB while continuing to use a FVRB that is an average of
11 the OCRB and the RCND to maintain consistency with Method One. Staff witness Pedro
12 M. Chaves provides testimony on the calculation of the additional return required by
13 investors due to inflation. The importance of maintaining symmetry in the inflation
14 adjustment relative to the FVRB is better understood by recognizing the relationship
15 between the WACC and the FVROR.

16
17 **Q. What is the relationship between the WACC and the FVROR?**

18 A. The WACC is a financial construct that represents the opportunity cost of foregone
19 earnings or returns resulting from a choice of one investment over others with equivalent
20 risk. In contrast, FVROR is a peculiar requirement of Arizona regulation that represents
21 the rate applied to a fair value rate base that results in a fair return. The WACC and
22 FVROR do have one commonality – each should facilitate determination of a fair return.
23 The underlying objectives of a fair return, and therefore the revenue requirement, are
24 materially unaltered regardless of whether the WACC or FVROR is applied.

1 The Commission appropriately recognized the distinction between the WACC and
2 FVROR in Decision No. 70441, stating that: "Because the weighted average cost of
3 capital includes inflation, if the Commission were to apply that cost of capital as the
4 FVROR to the FVRB (which includes inflation in the RCND portion), then the impact of
5 inflation would be overstated, and the resulting revenues would compensate the utility for
6 more than the fair value of its property, resulting in rates and charges that were not just
7 and reasonable."

8
9 As the Commission recognized, the market determines the return required by investors.
10 Investors in water utilities cannot expect to earn a return in excess of the market
11 determined rate. That is, investors do not require a higher return due to the use of FVRB
12 versus OCRB in ratemaking. Therefore, investors do not expect to earn their total return
13 through current rates when they can simultaneously anticipate a return from the
14 appreciation of utility plant that is subsequently included in rate base – which is the effect
15 of using RCND as a component of FVRB. An alternate way to see this is that investors
16 earn their total return (in this case, 8.8 percent WACC) through appreciation (1.2 percent
17 accretion return) and current rates (7.6 percent FVROR).

18
19 **Q. Please summarize Staff's recommended method for calculating operating income.**

20 **A.** Staff recommends calculating the operating income by multiplying the FVROR times the
21 FVRB where the FVRB reflects a 50/50 weighting of the original cost rate base
22 ("OCRB") and the reconstruction cost new rate base ("RCND") and the FVROR is the
23 WACC reduced by half the inflation/accretion return factor as shown in Table 2 below.

Table 2

Description	Weight (%)	Cost	Inflation Adjustment	Net Cost	FVROR
Debt	24.4%	5.0%	1.2%	3.8%	0.9%
Equity	75.6%	10.0%	1.2%	8.8%	6.7%
Total	100.00%				7.6%

I refer to this method as "Method Two" going forward.

Q. Explain how Method Two introduces a fair value element to the ratemaking process.

A. Under Method Two, a utility will benefit through higher returns when its property appreciates at a rate exceeding the additional return required by investors due to inflation. On the contrary, when a utility experiences property appreciation at a rate less than the additional return required by investor due to inflation, it will receiver lower returns. This fair value element represents a fundamental change from the "prudent investment" or "historical cost" approach (where a utility is compensated for the actual cost prudently invested). This is the concept to which the Applicant took exception in its last full rate case as end-result oriented.

Q. What is the revenue requirement difference between Method One and Method Two?

A. The revenue requirement under Method Two exceeds the revenue requirement under Method One by approximately \$318,000 or 3.6 percent.

1 **Q. Does Method Two represent a universal fair value methodology applicable for future**
2 **determinations of just and reasonable rates for utilities?**

3 **A. Not necessarily. Just and reasonable rates must be considered within the context of the**
4 **particular circumstances of each utility and rate proceeding. Also, Staff recommends that**
5 **the Commission encourage pursuit of further refinements that may enhance the goal of**
6 **establishing just and reasonable rates.**

7
8 **Q. Is Chaparral City's proposed method of calculating operating income in this case**
9 **consistent with Method One?**

10 **A. No. The Applicant's application proposed \$2,678,233 operating income is the product of**
11 **multiplying a 9.32 percent rate of return by a \$28,736,406 fair value rate base (Schedule**
12 **A-1 of the application). The proposed fair value rate base is an average of the OCRB and**
13 **RCND (Schedule B-1 of the application) which is consistent with Method One. However,**
14 **contrary to Method One, the proposed rate of return is equal to the proposed WACC and**
15 **does not reflect an inflation reduction to the cost of equity, the notable feature of Method**
16 **One.**

17
18 The Applicant's proposal to apply the unadjusted WACC to the FVRB was rejected by the
19 Commission in Decision Nos. 68176 and 70441. The Commission concluded: "Because
20 the weighted average cost of capital includes inflation, if the Commission were to apply
21 that cost of capital as the FVROR to the FVRB (which includes inflation in the RCND
22 portion), then the impact of inflation would be overstated, and the resulting revenues
23

1 would compensate the utility for more than the fair value of its property, resulting in rates
2 and charges that were not just and reasonable.”⁴ The Commission should reject the
3 Applicants proposed method of calculating operating income in this case for the same
4 reason.

5
6 **Q. Does this conclude your direct testimony?**

7 **A. Yes, it does.**

⁴ Decision No. 70441, p. 33.

BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON

Chairman

WILLIAM A. MUNDELL

Commissioner

JEFF HATCH-MILLER

Commissioner

KRISTIN K. MAYES

Commissioner

GARY PIERCE

Commissioner

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-02113A-07-0551
CHAPARRAL CITY WATER COMPANY, INC.,)
AN ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE FAIR VALUE OF)
ITS UTILITY PLANT AND PROPERTY AND)
FOR INCREASES IN ITS RATES AND)
CHARGES FOR UTILITY SERVICE BASED)
THEREON)

SURREBUTTAL

TESTIMONY

OF

ELIJAH O. ABINAH

FOR THE

ARIZONA CORPORATION COMMISSION

UTILITIES DIVISION

NOVEMBER 20, 2008



INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Elijah O. Abinah. My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Where are you employed and in what capacity?

A. I am employed by the Utilities Division ("Staff") of the Arizona Corporation Commission ("ACC" or "Commission") as Assistant Director.

Q. How long have you been employed with the Utilities Division?

A. I have been employed with the Utilities Division since January 2003.

Q. Please describe your educational background and experience.

A. I received a Bachelor of Science degree in Accounting from the University of Central Oklahoma in Edmond, Oklahoma. I also received a Master of Management degree from Southern Nazarene University in Bethany, Oklahoma. Prior to my employment with the ACC, I was employed by the Oklahoma Corporation Commission for approximately eight and half years in various capacities in the Telecommunications Division.

Q. What are your current responsibilities?

A. As Assistant Director, I review submissions that are filed with the Commission and make policy recommendations to the Director regarding those filings.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide a policy recommendation on the methodology proposed by Staff witness Gordon Fox.

1 **Q. What is your recommendation?**

2 A. In light of the Company's opposition to Method Two, Staff recommends that the
3 Commission also consider Method One, which is consistent with Decision No. 70441.

4
5 **Q. Can you please briefly describe Decision No. 70441?**

6 A. Decision No. 70441 came as a result of the appeal filed by the Company and the
7 subsequent remand by the Court of Appeals.

8
9 **Q. Are you providing testimony as to financial and technical analysis?**

10 A. No.

11
12 **Q. Have you reviewed Mr. Fox's testimony that was filed on October 3, 2008, as it**
13 **relates to the methodologies in calculation operating income?**

14 A. Yes.

15
16 **Q. Can you briefly describe those methodologies?**

17 A. Yes. On page 3 lines 13 through page 4 line 3, Mr. Fox describes the method of
18 calculating operating income consistent with Decision No. 70441. (Method One)

19
20 On page 4 line 14 through page 10 line 22, Mr. Fox describes the method of calculation
21 operating income consistent with the general framework of Method One with some minor
22 changes. (Method Two).

23
24 In addition, I reviewed page 10 lines 15 through 17 of Mr. Fox's testimony as it relates to
25 the difference in the revenue requirements between Method One and Method Two.

1 **Q. Can you please provide the differences in the dollar amount as to Method One and**
2 **Two?**

3 **A. According to Mr. Fox's testimony the difference in revenue requirement amount is**
4 **\$318,000 or 3.6 percent.**

5
6 **Q. Did you review Mr. Bourassa's testimony on behalf of the Company for the proposed**
7 **Cost of Capital?**

8 **A. Yes.**

9
10 **Q. Did Mr. Bourassa agree with Staff's proposed Methodology?**

11 **A. No. Mr. Bourassa disagreed with Staff's Methodology.**

12
13 **Q. In light of the Company's opposition to Staff's proposed Methodology, what is**
14 **Staff's recommendation?**

15 **A. Staff recommends that the Commission also consider the method set forth Decision No.**
16 **70441.**

17
18 **Q. In light of the Company's opposition, what is the effect on the revenue?**

19 **A. Staff recommend revenue decrease is \$318,000.**

20
21 **Q. What was Staff's recommended revenue increase under Method Two?**

22 **A. Staff recommended revenue increase as calculated by Method Two was \$1,735,265.00**

1 **Q. What is Staff's recommended revenue increase?**

2 A. Staff recommended revenue increase, based on Method One should be \$1,417,265.

3

4 **Q. Does this conclude your testimony?**

5 A. Yes it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON

Chairman

WILLIAM A. MUNDELL

Commissioner

JEFF HATCH-MILLER

Commissioner

KRISTIN K. MAYES

Commissioner

GARY PIERCE

Commissioner

IN THE MATTER OF THE APPLICATION OF)
CHAPARRAL CITY WATER COMPANY, INC.,)
AN ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE FAIR VALUE OF)
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FOR INCREASES IN ITS RATES AND)
FOR INCREASES IN ITS RATES AND)
CHARGES FOR UTILITY SERVICE BASED)
THEREON.)

DOCKET NO. W-02113A-07-0551

SURREBUTTAL

TESTIMONY

OF

DAVID C. PARCELL

TECHNICAL ASSOCIATES, INC.

DECEMBER 3, 2008



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I. INTRODUCTION

Q. Please state your name, occupation, and business address

A. My name is David C. Parcell. I am President and Senior Economist of Technical Associates, Inc. My business address is 1051 East Cary Street, Suite 601, Richmond, VA 23219.

Q. Please summarize your educational background and professional experience.

A. I hold B.A. (1969) and M.A. (1970) degrees in economics from Virginia Polytechnic Institute and State University (VA Tech) and an MBA (1985) from Virginia Commonwealth University. I have been a consulting economist with Technical Associates since 1970. The majority of my consulting experience has involved the provision of cost of capital studies and related expert testimony in public utility rate proceedings. In connection with this, I have prepared and filed testimony in over 400 utility rate proceedings before more than 40 regulatory agencies in the United States and Canada. I have previously testified in a number of utility rate proceedings before this Commission, including several over the past few years.

Q. What is the purpose of your testimony in this proceeding?

A. I have been retained by the Utilities Division Staff ("Staff") to review the Direct Testimony filed on October 3, 2008 by Staff Witness Pedro M. Chaves. I am also offering my own expert judgment as to the proper cost of capital for Chaparral City Water Company, Inc. ("Chaparral" or "Company") relative to this proceeding.

Q. What do you mean in the previous answer when you state that you have reviewed Staff's direct testimony?

A. I have reviewed all of Mr. Chavez's Direct Testimony ("Staff Testimony") and I agree fully with and support his proposed 10.0 percent cost of equity for Chaparral, as well as his proposed 8.8 percent weighted cost of capital for the Company. I also note that I consider Staff's Direct Testimony to be well reasoned and properly provides a balance

1 between the interests of ratepayers and investors. However, there are a few inputs in
2 Staff's discounted cash flow ("DCF") and capital asset pricing model ("CAPM")
3 analyses that I have not supported in prior testimonies and, as a result, I am not
4 specifically sponsoring in this proceeding. I emphasize, on the other hand, that my
5 alternative use of certain inputs does not degrade either the integrity or ultimate results of
6 the Staff's analysis and conclusions.
7

8 **Q. Are you adopting Staff's testimony as your own testimony?**

9 A. I am adopting portions of Staff's Testimony, but I am not adopting all of the DCF and
10 CAPM data inputs utilized in the Staff Testimony. Throughout my Rebuttal Testimony, I
11 indicate the specific portions of Staff Testimony that I am adopting, as well as the reasons
12 for not adopting other positions.
13

14 **Q. Did you state above that you are in agreement with Staff's 10.0 percent cost of**
15 **equity recommendation for Chaparral?**

16 A. Yes, I did state that. I believe that a 10.0 percent cost of equity presently represents the
17 cost of equity for a regulated water utility such as Chaparral. I note, in this regard, that I
18 have recently testified in several Arizona proceedings involving electric and natural gas
19 distribution utilities in which my cost of equity recommendation was about 10.0 percent.
20 These include proceedings involving UNS Gas (Docket No. G-01345A-05-0463), UNS
21 Electric (Docket No. E-0404A-06-0783), and Southwest Gas (Docket No. G-01551A-07-
22 0504). In addition, I have recently filed cost of capital testimony in a Delaware Public
23 Service Commission proceeding involving Artesian Water Company (Docket No. 08-96)
24 in which I recommended a cost of equity of 10.125 percent, applicable to a capital
25 structure containing 46.53 percent common equity.
26

27 **Q. Mr. Parcell, how long have you been providing cost of capital testimony in rate**
28 **proceedings for utilities?**

29 A. I have been testifying since 1972. As I indicated previously, I have testified in over 400
30 utility rate proceedings before more than 40 regulatory agencies.

1 **Q. Is it your belief that the concept of cost of capital has remained the same over the**
2 **period of your experience?**

3 A. No, it has not remained the same over the past forty years. New methods, such as
4 CAPM, have come into existence. In addition, the formulation of all the models is not
5 static, but evolving. For example, years ago there were fewer sources of projections of
6 individual company data; this indicates that the debate over exclusive use of a single
7 statistic such as EPS forecasts as the growth rate was not as prevalent as it is today. In
8 addition, the impact of the business cycle and the trends in corporate profits and interest
9 rates indicates that the determination of the fair cost of capital is not static.

10
11 **Q. Are you aware of any authoritative sources that support this relationship between**
12 **economic conditions and the cost of capital for a utility?**

13 A. Yes, I can. A landmark U.S. Supreme Court decision in the *Bluefield Water Works and*
14 *Improvement Co. v. Public Serv. Comm'n of West Virginia*, 262 U.S. 679 (1923)
15 established the following links between the cost of capital and economic conditions. In
16 this decision, the Court stated

17 What annual rate will constitute just compensation depends upon many
18 circumstances and must be determined by the exercise of fair and enlightened
19 judgment, having regard to all relevant facts....A rate of return may be reasonable
20 at on time, and become too high or too low by changes affecting opportunities for
21 investment, the money market, and business conditions generally.

22
23 **Q. What is the significance of this observation?**

24 A. The significance is that a cost of capital analysis is not a mathematical exercise that uses
25 the same formulas and data input (weightings) in all types of economic circumstances. A
26 cost of capital analyst necessarily needs to apply professional judgment in performing
27 his/her analyses. This is particularly true at the current time which is characterized by
28 extreme capital market volatility and the formal acceptance that we are in a recession.

29
30 **Q. How is your testimony organized?**

31 A. My testimony is organized into seven sections, as follows:
32

- Proxy Group,
- DCF Analyses,
- CAPM Analyses,
- Total Cost of Capital,
- Fair Value Rate of Return,
- Response to Chaparral Rebuttal Testimony,
- Impact of Current Capital Market Conditions on Cost of Capital.

II. PROXY GROUP

Q. What is the purpose of a proxy group in developing a cost of capital analysis?

A. The purpose of a proxy group is to develop cost of capital models and capital structure evaluation. A proxy group is determined and utilized in order to consider the cost of capital and capital structure of publicly-traded utilities that are similar in risk and operations to the subject company.

Q. What proxy group did Staff utilize in its Direct Testimony?

A. Staff utilized the following proxy group companies, as is shown on Schedule PMC-4:

- American States Water;
- California Water;
- Aqua America;
- Connecticut Water;
- Middlesex Water; and,
- SJW Corp.

Q. Do you approve of this group of proxy water companies?

A. Yes, I do. I concur with Staff's selection of this proxy group. This group of publicly-traded water companies is a representative sample of water utilities and is similar to the proxy group(s) that I have recently utilized in my water utility cost of capital analyses. I regard this as an appropriate sample of proxy companies for comparison to Chaparral and

1 I adopt the use of this proxy group. I also note that Chaparral witness Bourassa uses this
2 proxy group in his cost of capital analyses.
3

4 **Q. The Staff Testimony applied the DCF and CAPM methodologies to the proxy group.**
5 **Are these methodologies proper methodologies to estimate the cost of equity for**
6 **regulated utilities?**

7 **A.** Yes, they are. I routinely use both the DCF and CAPM methodologies in my cost of
8 capital analyses for water and other utilities.
9

10 **III. DISCOUNTED CASH FLOW ANALYSES**
11

12 **Q. Please describe your understanding of Staff's DCF analyses.**

13 **A.** Staff performed two DCF analyses – a constant-growth DCF and a multi-stage DCF. The
14 constant-growth DCF analysis uses the following inputs:
15

16 Yield – Spot stock price for each proxy company as of August 6, 2008 and
17 expected dividends per share (DPS) over the next year.
18

19 Growth – average of six different growth rates:

20 Historic DPS growth over past ten years;

21 Projected DPS growth rates from data provided in Value Line;

22 Historic EPS growth over the past ten years;

23 Projected EPS growth rates from data provided in Value Line;

24 Historic sustainable growth rates over the past ten years; and,

25 Projected sustainable growth rates from data provided in Value Line.
26

27 Staff's multi-stage DCF uses the following inputs:

28 Yield – Spot stock price for each proxy company as of August 6, 2008 and
29 expected dividends per share over next year.

1 Growth – projections of short-term dividend growth for each proxy
2 company over two periods

3 Next year – projections from Value Line,

4 Years 2-4 – projections using average dividend growth rate
5 calculated in Staff's constant growth DCF analysis,

6 Long-term growth – 1926-2007 arithmetic average growth rate of gross
7 domestic product (GDP).
8

9 The results of each of these sets of DCF conclusions for the proxy group can be
10 summarized as follows:
11

12 Constant growth DCF 8.8%

13 Multi-stage DCF 9.8%

14 Average DCF 9.3%
15

16 **Q. Please provide your comments about Staff's constant growth DCF analysis.**

17 **A.** Staff's constant growth DCF yield uses a spot stock price in the calculation of the
18 dividend yield, rather than a three-month average stock price that I normally use in my
19 DCF analyses. In the instant case, however, this distinction is not significant. I have
20 calculated dividend yields using a three-month average stock price (June-August, 2008)
21 and have found the results to be very similar to those in the Staff analyses. As a result, I
22 am adopting the yields in the Staff testimony. I note however, that because I normally
23 use a 3 month average stock price, I would not use a spot price as is done in the Staff
24 testimony.
25

26 I note that, in my own DCF analyses, I also use both historic and prospective growth rates
27 of DPS, EPS, and sustainable growth. I normally use a five-year historic growth rate for
28 DPS, EPS and sustainable growth, whereas the Staff Testimony uses ten-year historic
29 growth. I regard this difference as a matter of professional judgment and do not take
30 issue with the Staff Testimony and I correspondingly adopt these historic growth rates.

1 I also routinely use Value Line projections of DPS, EPS and sustainable growth. The
2 Staff Testimony calculates projections of growth from Value Line data, whereas I
3 normally use Value Line's published projections. However, I do not regard this as a
4 meaningful distinction and I adopt the Staff Testimony's projected growth rates.
5

6 **Q. Do you accept and adopt the 8.8 percent constant growth DCF conclusion contained**
7 **in the Staff Testimony?**

8 A. Yes, I do.
9

10 **Q. What are your comments concerning the multi-stage DCF analysis in the Staff**
11 **Testimony?**

12 A. I note, first, that I do not routinely use a multi-stage DCF analysis in preparing cost of
13 capital testimony. There is an exception to this in preparing cost of capital testimony for
14 interstate natural gas pipelines before the Federal Energy Regulatory Commission
15 (FERC). The FERC has established a preferred cost of capital methodology that uses a
16 two-stage DCF model. When I submit natural gas pipeline testimony before the FERC, I
17 use a multi-stage DCF model. As a result, I accept the use of a multi-stage DCF model in
18 the Staff Testimony.
19

20 The first stage of the multi-stage DCF analysis in the Staff Testimony uses projections of
21 DPS for the proxy group. I accept this as a valid estimate of the short-term or first stage
22 of the multi-stage DCF analysis.
23

24 The second stage of the multi-stage DCF analysis in the Staff Testimony uses the historic
25 (i.e., 1926-2007) average growth rate of GDP, which is 6.7 percent. My two-stage DCF
26 analysis, which mirrors the FERC procedure, uses the projections of GDP by the Social
27 Security Administration (SSA) and Energy Information Administration (EIA). Long-
28 term projections of GDP by these two U.S. government agencies are as follows:

29 SSA 4.4%

30 EIA 4.8%

1 It is my preference to use projections of GDP growth, rather than historic GDP growth.
2 As an alternative, both the historic and projected GDP growth could be used. In any
3 event, I believe that the Staff Testimony's use of historic GDP growth may over-state the
4 multi-stage DCF results for the proxy group.
5

6 **IV. CAPITAL ASSET PRICING MODEL ANALYSES**
7

8 **Q. What is your understanding of the CAPM analyses and conclusions of the Staff**
9 **Testimony?**

10 **A.** The Staff Testimony performs two sets of the traditional CAPM methodology. The first
11 set is a "historical" risk premium CAPM model that employs the following inputs:

12 Risk-free rate (R_f) – average of yields of five-year, seven-year, and ten-year U.S.

13 Treasury notes as of August 6, 2008,

14 Beta (β) – Value Line betas for each proxy group company,

15 Risk-premium ($R_m - R_f$) – differentials between arithmetic averages of long-term
16 (1926-2007) returns of the S&P 500 stock index and intermediate-term
17 government bond income returns.
18

19 The second set of CAPM calculations in the Staff Testimony is a "current" market risk
20 premium model. This model employs the following inputs:

21 Risk-free rate (R_f) – yield on 30-year U.S. Treasury bonds as of August 6, 2008,

22 Beta (β) – Value Line betas for each proxy group company,

23 Risk-premium ($R_m - R_f$) – differential between a DCF return (expected dividend
24 yield plus annual per share growth rate for all dividend-paying stocks in Value
25 Line) and current yield on 30-year U.S. Treasury bonds.
26

27 **Q. What are your comments concerning the historic risk premium CAPM analyses and**
28 **conclusions in the Staff Testimony?**

29 **A.** I fully support the use of Value Line betas, as used in both the historic and current risk
30 premium CAPM models. For the risk-free rate, I routinely use yields on 20-year U.S.

1 Treasury bonds, as opposed to the average of five-year, seven-year and ten-year U.S.
2 Treasury bonds yields. The yields on 20-year U.S. Treasury bonds are higher than the
3 shorter maturities. This implies that my preferred risk-free rate would be higher than that
4 used in the Staff Testimony.

5
6 I also note, as I did in my discussion of the DCF model, that I prefer to use a three-month
7 average of U.S. Treasury yields, as opposed to use of a spot yield as proposed in the Staff
8 Testimony. However, my comparison of three-month average yields for the three-month
9 period June-August, 2008 is not significantly different from the August 6, 2008 yield
10 used in the Staff Testimony. As a result, I do not regard this as a meaningful result in this
11 instance and correspondingly adopt the risk-free rates in the Staff Testimony. As was the
12 case in the dividend yield discussion in my DCF comments, use of a spot risk-free rate
13 could produce inappropriate results.

14
15 For the risk premium, on the other hand, the Staff Testimony uses the differential
16 between returns on the S&P 500 and intermediate-term government bonds, whereas I use
17 the differential between the S&P 500 and long-term government bonds. Since long-term
18 government bonds have higher long-term returns than intermediate-term government
19 bonds, this means that the risk differential for intermediate government bonds (i.e., Staff
20 Testimony) is less than the risk differential for long-term government bonds (i.e., my
21 preferred methodology). This indicates that there are off-setting impacts of the Staff
22 Testimony methodology (i.e., use of intermediate-term yields and risk premiums using
23 intermediate notes) and my preferred methodology (i.e., use of long-term yields and risk
24 premiums using long-term bonds). As a result, I regard this differential as somewhat of a
25 "wash" and adopt the use of intermediate-term yields and risk premiums developed using
26 intermediate-term government securities.

27
28 I do have two technical concerns with the development of the historic risk premium in the
29 Staff Testimony.

1 Use of arithmetic averages (as opposed to use of both arithmetic and geometric
2 averages) of historic returns; and,
3 Use of the income return on bonds, as opposed to the total returns, in developing
4 the risk premium.

5
6 The Staff Testimony uses, as a component of its historic risk premium, the arithmetic
7 average values of total return for the S&P 500 and the arithmetic average values of
8 income return for government securities. I routinely use both arithmetic and geometric
9 averages in my calculations of the risk premium. I believe that geometric averages are
10 relevant, along with arithmetic averages, because investors are regularly provided with
11 these returns in both reports/prospectuses by mutual funds (as required by the Securities
12 and Exchange Commission) and by prominent investment advisory services such as
13 Value Line. In my judgment, investors use both arithmetic and geometric average returns
14 and both should be considered in the development of a risk premium. I note that
15 arithmetic averages exceed geometric averages, meaning that exclusive use of arithmetic
16 averages provide for a higher, and potentially excessive, risk premium. Because of this,
17 the risk premium, and thus CAPM results, as used in the Staff Testimony may overstate
18 the cost of capital for the proxy group.

19
20 I also note that the Staff Testimony uses income returns on bonds and total returns for the
21 S&P 500. The significance of this is that the total returns for the S&P 500 includes both
22 dividends and capital gains, whereas the income returns on bonds only includes interest
23 income (and excludes capital gains). My normal practice is to consider total returns for
24 both the S&P 500 and bonds in my risk premium calculations, which treats the S&P 500
25 and bonds on a consistent basis. I note that the use of only income returns on bonds, in
26 this context, has the impact of creating a higher risk premium, and thus higher CAPM
27 results than the method I routinely use.

28
29 The impact of these two factors has the effect of creating a higher risk premium, and
30 higher CAPM cost rate, than does the methodology I employ in my CAPM analyses.

1 **Q. Do you have any comments concerning the current risk premium as used in the**
2 **Staff Testimony?**

3 **A. Yes, I do. I cannot support, or adopt, the current risk premium as contained in the Staff**
4 **Testimony. My primary concern with the current risk premium CAPM is the use of a**
5 **DCF-derived return on equity (ROE) for "all dividend-paying stocks" as reported in**
6 **Value Line. The growth component of this DCF-derived ROE is the "appreciation**
7 **potential" of all 1700 stocks covered by Value Line, where the appreciation potential**
8 **refers to the "estimated median price" of these stocks in the "hypothesized economic**
9 **environment of 3 of 5 years hence." In other words, the growth component of this DCF**
10 **analysis is based upon a potential increase in stock prices for the 1700 stocks covered by**
11 **Value Line.**

12
13 I have two concerns with this procedure for estimating the cost of equity for the "market"
14 (i.e., R_m component of risk premium). First, I do not believe that it is appropriate to
15 determine utility rates based upon an anticipated increase in stock prices for a group of
16 largely unregulated firms. This is speculative. Second, even if it were deemed
17 appropriate to use such a methodology, its use at the current time (i.e., August of 2008) is
18 from a low base as a result of the significant decline in stock prices in 2008. As a result,
19 use of a appreciation potential from a low base naturally reflects a higher-than-normal
20 growth rate, as evidenced by the 15.02 percent annual potential appreciation over the next
21 four years, as assumed in the Staff testimony. As an example of this, consider that the
22 historic (i.e., 1926-2007) average total returns for the S&P 500 (i.e., dividends plus
23 capital appreciation) has only been 12.3 percent on an arithmetic basis and 10.4 percent
24 on a geometric basis.

1 **Q. Please describe, in detail, using your professional judgment, how you arrived at a**
2 **10.0 percent cost of equity for Chaparral, without adjusting for financial risk.**

3 A. I have accepted the proxy group from the Staff Testimony (as does Chaparral). I have
4 also accepted the 9.3 percent DCF conclusion in the Staff Testimony, although I note that
5 the multi-stage DCF may slightly over-state the second-stage growth rate. I generally
6 adopt the historical risk premium CAPM of the Staff Testimony (11.2 percent) but I do
7 not agree with: (1) use of only arithmetic averages in deriving the risk premium, rather
8 preferring to use both arithmetic and geometric averages; and, (2) using only the income
9 return on bonds, rather than total returns, in deriving the risk premium. As a result, I
10 propose a historical risk premium CAPM result of 10.75 percent, a slight reduction from
11 the 11.2 percent conclusion in the Staff Testimony.

12
13 In addition, by combining my adopted 9.3 percent DCF result and 10.75 percent modified
14 CAPM, I arrived at a 10.0 percent cost of equity recommendation. I note that this 10.0
15 percent cost of equity recommendation does not include an adjustment for the very high
16 equity ratio (i.e., lower risk) of Chaparral.

17
18 **V. TOTAL COST OF CAPITAL**
19

20 **Q. Please describe the total cost of capital derived in the Staff Testimony.**

21 A. The Staff Testimony develops an 8.8 percent total cost of capital, as is summarized
22 below:

<u>Capital Item</u>	<u>Percent</u>	<u>Cost</u>	<u>Wgt. Cost</u>
Debt	24.4%	5.0%	1.2%
Common Equity	<u>75.6%</u>	10.0%	<u>7.6%</u>
WACC	100.0%		8.8%

23
24
25
26
27
28 The capital structure and cost of debt reflected in the Staff Testimony, as well as in the
29 Chaparral filing, are hypothetical in nature since the Company receives all of its equity
30 financing from its parent American States Water. The Staff Testimony and Chaparral

1 filing differ slightly on the capital structure ratios, as a result of the Staff using more
2 current (i.e., June 30, 2008) information. I accept the capital structure ratios in the Staff
3 Testimony, although I agree with the position taken in the Staff Testimony that the equity
4 ratio of Chaparral (i.e., over 75 percent) is much higher than the actual capital structures
5 for publicly-traded water utilities (i.e., about 50 percent equity). I note that a case could
6 be made that the proper capital structure for Chaparral should be that of its consolidated
7 parent, which contains about a 50 percent equity ratio.

8
9 I also accept the 5.0 percent cost of debt contained in the Staff Testimony. This differs
10 slightly from the 5.1 percent contained in the Chaparral rebuttal filing.

11
12 **Q. Do you agree with the Staff Testimony's proposal to recognize the very high equity**
13 **ratio of Chaparral in the determination of the cost of equity for the Company?**

14 A. Yes, I do. Chaparral's common equity ratio, as noted above, is about 75 percent common
15 equity, which is about 1 and a half times the 50 percent norm for publicly-traded water
16 utilities. This is a very significant difference in the capital structures for Chaparral versus
17 the proxy group that is used to develop its cost of equity. This significant difference in
18 common equity ratios is reflective in a risk differential between Chaparral and the proxy
19 group - a risk differential that should be recognized in the cost of equity for the
20 Company. I also note that Chaparral's parent company, American States Water, has a
21 common equity ratio that is similar to the proxy group (i.e., about 50 percent equity) and
22 is much less equity than is the case for Chaparral.

23
24 **Q. Do you endorse and adopt the 8.8 percent total cost of capital as proposed in the**
25 **Staff Testimony?**

26 A. Yes, I do.
27
28
29
30

VI. RESPONSE TO CHAPARRAL REBUTTAL TESTIMONY

Q. Have you reviewed the Rebuttal Testimony of Chaparral witness Bourassa that addresses the Staff Testimony on Cost of Capital Issues?

A. Yes, I have.

Q. Do you wish to respond to any of the assertions made by Mr. Bourassa in his Rebuttal Testimony?

A. Yes, I do. I have a number of comments concerning the assertions made by Mr. Bourassa. These include the following topics:

His updated cost of capital analyses, which use spot yields as of October 2, 2008,
His use of stock price growth as the growth component in his DCF analyses,
His conclusion that Chaparral's cost of equity has increased over the past year by
100 basis points, notwithstanding the fact that current economic conditions have
decreased returns for virtually all other types of companies, and
His position that a the Company's cost of capital be applied to its fair value rate
base.

Q. What is your response to Mr. Bourassa's updated cost of capital analyses?

A. Mr. Bourassa's updated DCF analyses have a number of flaws, all of which cause him to over-state the cost of equity for Chaparral. These include:

His updated dividend yield uses spot stock prices as of October 2, 2008, a date in the middle of the market volatility. In fact, by using the closing prices as of this date, he used only a single moment in time, not even a day in time.

His growth rate relies heavily on the historical growth in stock prices. As I indicated previously, growth in stock prices is not a proper measure of the DCF growth rate, especially during a period of market volatility.

His "total market returns" (Exhibit 2) and "capital appreciation returns" (Exhibit 3) end in 2007 – the latest available calendar year. While this is generally appropriate, it should be noted that 2008 is an abysmal year for the stock markets

1 and, when market compound growth rates are updated for 2008, the results will
2 undoubtedly be much lower, and perhaps near zero or even negative. Given that
3 the cost of capital is forward-looking, this is information that should be
4 considered in a DCF analysis at this time, especially one described as "updated."
5

6 Mr. Bourassa's updated CAPM analyses also overstate the cost of capital. This is true for
7 the following reasons:

8 His historical market risk premium CAPM

9 His current market premium CAPM suffers from the same flaw as his DCF
10 growth rates – the reliance on growth in stock prices.
11

12 **Q. Why do you take issue with Mr. Bourassa's contention that Chaparral's cost of**
13 **equity has increased over the past year?**

14 **A.** As I noted above, Mr. Bourassa's DCF and CAPM analyses rely heavily on growth in
15 stock prices for various periods ending in 2007. Therefore, his claim that the cost of
16 capital has increased over the past year really applies to 2007, not 2008.
17

18 **Q. Are there any other aspects of Mr. Bourassa's rebuttal testimony that you wish to**
19 **respond to?**

20 **A.** Yes. The bulk of Mr. Bourassa's rebuttal testimony relates to the issue of Fair Value
21 Rate Base ("FVRB") and the proper Fair Value Rate of Return ("FVROR"). Mr.
22 Bourassa maintains that Chaparral's weighted average capital cost ("WACC") should be
23 applied to its FVRB. This issue has been recently examined by the Commission in the
24 remand phase of Docket No. W-02113A-04-0616, a proceeding in which both Mr.
25 Bourassa and I testified. In its decision in that proceeding, the Commission determined
26 that inflation should be removed from the cost of capital in order to determine a FVROR
27 to be applicable to a FVRB. I will not repeat all of my testimony on this subject in this
28 present testimony, but do call the Commission's attention to the arguments I raised in that
29 proceeding.
30

VII. IMPACT OF CURRENT CAPITAL MARKET CONDITIONS ON COST OF CAPITAL

Q. Please indicate your views as to the impact of the current state of the economy and the financial markets as they relate to the cost of capital for Chaparral and other public utilities.

A. The current state of the economy and financial markets can be generally characterized by the following:

The U.S. and global economies are presently in a recession, perhaps the most serious recession in many years. This recession is characterized by:

High unemployment, as the current unemployment rate is the highest in recent years;

Declining housing values and potentially deflation across broad sectors of the economy;

Widespread foreclosures on residential and commercial properties;

A somewhat devastated financial sector, as evidenced by the failure and/or bail-outs of venerable financial institutions such as Fannie Mae, Freddie Mac, Bear Stearns, Merrill Lynch, AIG and Wachovia, with the potential list growing;

Potential bail-outs expected for several other sectors of the economy;

Stock prices that have declined precipitously in 2008; and,

Very low short-term U.S. Treasury rates, low U.S. Treasury intermediate- and long-term rates, but high corporate bond rates, reflecting a "flight to quality"; and,

Unprecedented actions being taken by the U.S. and global governments to hopefully minimize the impacts of this recession and avoid a more serious worldwide depression.

Against this backdrop, it is important to understand the implications of current economic and financial conditions on capital costs in general and as they pertain to Chaparral. Any consideration of current economic and financial conditions should consider their impact on regulated utilities from two perspectives: 1) how these conditions impact utility

1 ratepayers and the extent to which utilities should be insulated from the negative impacts
2 that affect their ratepayers; and 2) the extent to which these conditions are temporary and
3 not representative of the period that utility rates will be in effect.
4

5 **Q. Please describe this first perspective.**

6 A. The current economic downturn appears to be the worst in recent memory and the
7 implications are global. It is clear that Chaparral's ratepayers are negatively impacted by
8 this downturn. For example, working ratepayers face the prospects of lower
9 earnings/unemployment/uncertainty while retired ratepayers face the likelihood of
10 significantly reduced value of retirement income due to declines in the stock market
11 which negatively impact their 401-K or IRA values. It would be unfair for Chaparral to
12 claim that its risk and/or required return should be higher at this time, which would create
13 a doubly negative impact on its ratepayers. Stated differently, Chaparral's cost of capital
14 and water/wastewater rates should not be higher due to the economic downturn. Such a
15 situation would clearly not be a balancing of the interests of ratepayers and investors as is
16 dictated by the Bluefield and Hope decisions.
17

18 I note that this perspective can be referred to as the "fairness" perspective. In essence, it
19 indicates that the conditions that contribute to the misfortunes of the utility's ratepayers
20 should not be used as a rationale to provide higher returns to the utility, in essence
21 insulating it from the economic conditions that affect virtually all other aspects of the
22 economy, both individuals and businesses.
23

24 **Q. What do you mean by the second perspective stated above?**

25 A. It is widely recognized that the cost of capital concept, whether for a regulated utility or a
26 competitive firm, is prospective in nature. The prospective nature of cost of capital is
27 partially based on the concept that current capital market conditions reflect expectations
28 of the future. At the present time, there is unprecedented uncertainty in the capital
29 markets, as is evidenced by the extreme volatility in stock prices and yields on debt

1 securities. This volatility reflects and incorporates the reaction to the seemingly never-
2 ending stream of negative news about the world-wide economies.

3
4 At the present time, no one knows the length and severity of the downturn, but what
5 should be clear is that the present situation should not be accepted as the norm for the
6 future. It must be assumed that the economy will turn around sometime within the next
7 year, especially with the unprecedented stimulus that has and is being applied by U.S.
8 and global governments. As a result, it is proper to take a more "long-term" view of
9 economic and financial conditions at this time. I believe that my recommendations in
10 this proceeding, as well as the impact of the Staff Testimony perspective, is proper in this
11 account. This is the case since both the Staff Testimony and my recommendation are not
12 overly-reflective of the unusual and transitory conditions of the past two months.

13
14 I do not, on the other hand, think it is proper to focus on very short-term perspectives,
15 such as stock prices and corporate interest rates over the past two months. This is the
16 case since these prices and rates are overly influenced by the turmoil and uncertainty
17 associated with the global economic crisis.

18
19 **Q. You have stated that current and recent economic conditions are not normal, but**
20 **are unusual and transitory. Can you provide any examples of why this is so?**

21 **A.** Yes, I can. As an example of the seriousness of the current economic/financial situation,
22 the Federal Reserve and U.S. government have taken extraordinary actions to minimize
23 the impacts of the financial crisis and to attempt to stabilize the U.S. and global
24 economies. The U.S. Congress authorized \$700 billion as a "bail out" of the financial
25 system in order to create confidence in the financial system and encourage lending in the
26 economy. The Federal Reserve and U.S. government have taken the following actions:

27 Fannie Mae and Freddie Mac were effectively nationalized in an effort to
28 strengthen the housing market,

29 AIG received over \$100 billion in loans to AIG, essentially bailing it out of
30 potential bankruptcy,

1 Goldman Sachs and Morgan Stanley were allowed to become bank holding
2 companies, making them eligible for federal loans and direct investments from the
3 federal government,

4 The Federal Funds rate has been lowered in a number of steps, to a level of 1.0
5 percent, the lowest level ever,

6 Mergers were arranged on an emergency basis to keep Wachovia from potentially
7 failing, and

8 CitiGroup received loan guarantees in order to prevent its potential failing.
9

10 **Q. What is the purpose of all these extraordinary actions?**

11 **A.** The purpose of all of these actions, as well as a number of other actions by the federal
12 government and Federal Reserve, is to:

13 Provide liquidity to the banking system,

14 Encourage banks to make loans to stimulate the economy,

15 Re-establish confidence in the financial system, and

16 Keep major financial institutions from failing.
17

18 The significance of these actions is that they are collectively designed to lower the cost of
19 capital in the U.S. and worldwide in order to get the economies back on a growth tract.
20 Clearly, these actions should not be used as a rationale to make utilities insulated from
21 the negative impacts of the downturn and raise their cost of capital at the same time that
22 efforts are being undertaken to lower the cost of capital.
23
24

25 **Q. Does this conclude your surrebuttal testimony?**

26 **A.** Yes, it does.

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

CHAPARRAL CITY WATER COMPANY,
INC., AN ARIZONA CORPORATION FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES FOR UTILITY
BASED THEREON.

DOCKET NO. W-02113A-07-0551

**STAFF'S NOTICE OF ERRATA FILING
ADOPTED TESTIMONY**

Staff of the Arizona Corporation Commission ("Staff") hereby provides an errata to the portions of Mr. Pedro M. Chaves' Direct Testimony adopted by Mr. David C. Parcell. The portions of Mr. Chaves' Direct Testimony not adopted by Mr. Parcell have been stricken. Additionally, as Mr. Parcell discussed in his surrebuttal testimony, he uses a three month average stock price and generally does not use spot stock prices.

RESPECTFULLY SUBMITTED this 15th day of December, 2008.

Arizona Corporation Commission

DOCKETED

DEC 15 2008

DOCKETED BY

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EXHIBIT

S-8

ADMITTED

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Liskley Hodge

BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION OF)	DOCKET NO. W-02113A-07-0551
CHAPPARAL CITY WATER COMPANY, INC.,)	
AN ARIZONA CORPORATION, FOR A)	
DETERMINATION OF THE FAIR VALUE OF)	
ITS UTILITY PLANT AND PROPERTY AND)	
FOR INCREASES IN ITS RATES AND)	
CHARGES FOR UTILITY SERVICE BASED)	
<u>THEREON.</u>)	

DIRECT
TESTIMONY
OF
PEDRO M. CHAVES
PUBLIC UTILITIES ANALYST III
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

OCTOBER 3, 2008

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I. INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Pedro M. Chaves. I am a Public Utilities Analyst employed by the Arizona Corporation Commission ("Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Briefly describe your responsibilities as a Public Utilities Analyst.

A. In my position as a Public Utilities Analyst, I perform studies to estimate the cost of capital component of the overall revenue requirement calculation in rate filings. I also perform analyses regarding requests for financing authorization and other financial regulatory matters.

Q. Please describe your educational background and professional experience.

A. I am a graduate of Arizona State University and received a Bachelor of Science degree in Global Business with a specialization in finance. My course of studies included classes in corporate and international finance, investments, accounting, statistics, and economics. I began employment as a Staff Public Utilities Analyst in December 2005.

Q. What is the scope of your testimony in this case?

A. I provide Staff's recommended capital structure, cost of debt, return on equity ("ROE") and fair value rate of return ("FVROR") in this case. I discuss the appropriate capital structure, cost of debt, ROE and FVROR for establishing the revenue requirement for Chaparral City Water Company, Inc. ("Chaparral City" or "Applicant").

1 **Summary of Testimony and Recommendations**

2 **Q. Briefly summarize how Staff's cost of capital testimony is organized.**

3 A. Staff's cost of capital testimony is presented in ten sections. Section I is this introduction.
4 Section II discusses the concept of weighted average cost of capital ("WACC"). Section
5 III presents the concept of capital structure and presents Staff's recommended capital
6 structure for Chaparral City in this proceeding. Section IV discusses the concepts of ROE
7 and risk. Section V presents the methods employed by Staff to estimate Chaparral City's
8 ROE. Section VI presents the findings of Staff's ROE analysis. Section VII presents
9 Staff's final cost of equity estimates for Chaparral City. Section VIII presents Staff's
10 weighted average cost of capital. Section IX presents Staff's FVROR recommendation.
11 Section X presents Staff's comments on the direct testimony of Mr. Thomas J. Bourassa in
12 support of the Applicant's proposed cost of capital ("Mr. Bourassa's Direct Testimony").
13 Lastly, Section XI presents the conclusions.

14
15 **Q. Have you prepared any exhibits to accompany your testimony?**

16 A. Yes. I prepared ten schedules (PMC-1 to PMC-10) that support Staff's cost of capital
17 analysis.

18
19 **Q. What is Staff's weighted average cost of capital for Chaparral City?**

20 A. Staff's WACC is 8.8 percent and it is calculated in Schedule PMC-1. ~~Staff's WACC is~~
21 ~~based on cost of equity estimates for Chaparral City that range from 9.3 percent to 14.3~~
22 ~~percent. Staff's ROE recommendation includes a 1.8 percent downward adjustment due~~
23 ~~to the lower financial risk reflected in the Applicant's capital structure in relation to that of~~
24 ~~the sample companies.~~

1 ~~Q. What is Staff's recommended fair value rate of return for Chaparral City?~~

2 ~~A. Staff recommends a 7.6 percent FVROR. Staff's recommended 7.6 percent FVROR is~~
3 ~~calculated in Schedule PMC-2.~~

4
5 **Applicant's Proposed Overall Rate of Return**

6 **Q. Briefly summarize the Applicant's proposed capital structure, cost of debt, return on**
7 **equity and overall rate of return for this proceeding.**

8 **A. Table 1 summarizes the Applicant's proposed hypothetical capital structure, cost of debt,**
9 **return on equity and overall cost of capital and FVROR in this proceeding:**

10
11 **Table 1**

	Weight	Cost	Weighted Cost
Long-term Debt	23.4%	5.5%	1.3%
Common Equity	76.6%	10.5%	<u>8.0%</u>
Cost of Capital (FVROR)			9.3%

12 Chaparral City is proposing an overall cost of capital, i.e., FVROR of 9.3 percent.

13
14 **II. THE WEIGHTED AVERAGE COST OF CAPITAL**

15 **Q. Please define the cost of capital concept.**

16 **A. The cost of capital is the opportunity cost represented by anticipated returns or earnings**
17 **that are foregone by choosing one investment over others with equivalent risk. In other**
18 **words, the cost of capital is the return that shareholders expect for committing their**
19 **resources in a determined business enterprise.**

1 Q. What is the overall cost of capital?

2 A. The overall cost of capital is equal to the weighted average cost of capital.

3
4 Q. How is the WACC calculated?

5 A. The WACC is calculated by adding the weighted expected returns of a firm's securities.
6 Equation 1 that follows presents the WACC as a mathematical expression.

7 Equation 1.

8
9
$$\text{WACC} = \sum_{i=1}^n W_i * r_i$$

10

11
12 In this equation, W_i is the weight given to the i^{th} security (the proportion of the i^{th} security
13 relative to the portfolio) and r_i is the expected return on the i^{th} security.

14
15 Q. Can you provide an example demonstrating application of Equation 1?

16 A. Yes. For this example, assume that an entity has a capital structure composed of 35
17 percent debt and 65 percent equity. Also, assume that the embedded cost of debt is 6.0
18 percent and the expected return on equity, i.e. the cost of equity, is 10.0 percent.
19 Calculation of the WACC is as follows:

20
$$\text{WACC} = (35\% * 6.0\%) + (65\% * 10.0\%)$$

21
$$\text{WACC} = 2.10\% + 6.50\%$$

22
$$\text{WACC} = 8.60\%$$

23

24 The weighted average cost of capital in this example is 8.60 percent. The entity in this
25 example would need to earn an overall rate of return of 8.60 percent to cover its cost of
26 capital.

III. CAPITAL STRUCTURE

Background

Q. Please explain the capital structure concept.

A. The capital structure of a firm is the relative proportions of short-term debt, long-term debt (including capital leases), preferred stock and common stock that are used to finance the firm's assets.

Q. How is the capital structure expressed?

A. The capital structure of a company is expressed as the percentage of each component of the capital structure (capital leases¹, short-term debt, long-term debt, preferred stock and common stock) relative to the total capital (the total sum of all the components of the capital structure).

For instance, the capital structure for an entity that is financed by \$5,000 of short-term debt, \$15,000 of capital leases, \$30,000 of long-term debt, \$10,000 of preferred stock and \$40,000 of common stock is shown in Table 2.

Table 2

Component			%
Short-Term Debt	\$5,000	$(\$5,000/\$100,000)$	5.0%
Capital Leases	\$15,000	$(\$15,000/\$100,000)$	15.0%
Long-Term Debt	\$30,000	$(\$30,000/\$100,000)$	30.0%
Preferred Stock	\$10,000	$(\$10,000/\$100,000)$	10.0%
Common Stock	\$40,000	$(\$40,000/\$100,000)$	40.0%
Total	\$100,000		100%

¹ Capital leases are a specific form of long-term debt.

1 The capital structure in this example is composed of 5.0 percent short-term debt, 15.0
2 percent capital leases, 30.0 percent long-term debt, 10.0 percent preferred stock and 40.0
3 percent common stock.

4
5 **Applicant's Capital Structure**

6 **Q. What capital structure does the Applicant propose?**

7 **A.** The Applicant proposes a hypothetical capital structure composed of 23.4 percent debt and
8 76.6 percent common equity.

9
10 **Q. What capital structure does Staff recommend?**

11 **A.** Staff recommends a capital structure of 24.4 percent debt and 75.6 percent equity, to
12 reflect Chaparral City's most recent debt and equity positions, as displayed in Schedule
13 PMC-10 and summarized in Table 3, below.

14 **Table 3**

Chaparral City Water Company, Inc.		
Capitalization		
	<u>Amount outstanding</u> <u>as of 6/30/2008</u>	<u>Percentage of</u> <u>Capital Structure</u>
Total Debt	\$ 8,635,000.00	24.4%
Total Common Equity	\$ 26,690,000	75.6%
Total Capitalization	\$ 35,325,000	100.0%

15
16 **Q. How does Chaparral City's actual capital structure compare to capital structures of**
17 **publicly traded water utilities?**

18 **A.** The Applicant's actual capital structure is composed of 24.4 percent debt and 75.6 percent
19 equity. Schedule PMC-4 shows the capital structures of six publicly traded water

1 companies ("sample water companies") as of March 31, 2008². The average capital
2 structure for the sample water utilities is comprised of approximately 49.9 percent debt
3 and 50.1 percent equity.
4

5 **IV. RETURN ON EQUITY**

6 **Background**

7 **Q. Please define the term "cost of equity capital."**

8 **A.** The cost of equity capital is determined by the market. It is the rate of return that
9 investors expect to earn on their equity investment in an entity given its risk. In other
10 words, the cost of equity to an entity is the investors' expected rate of return on other
11 investments of similar risk.
12

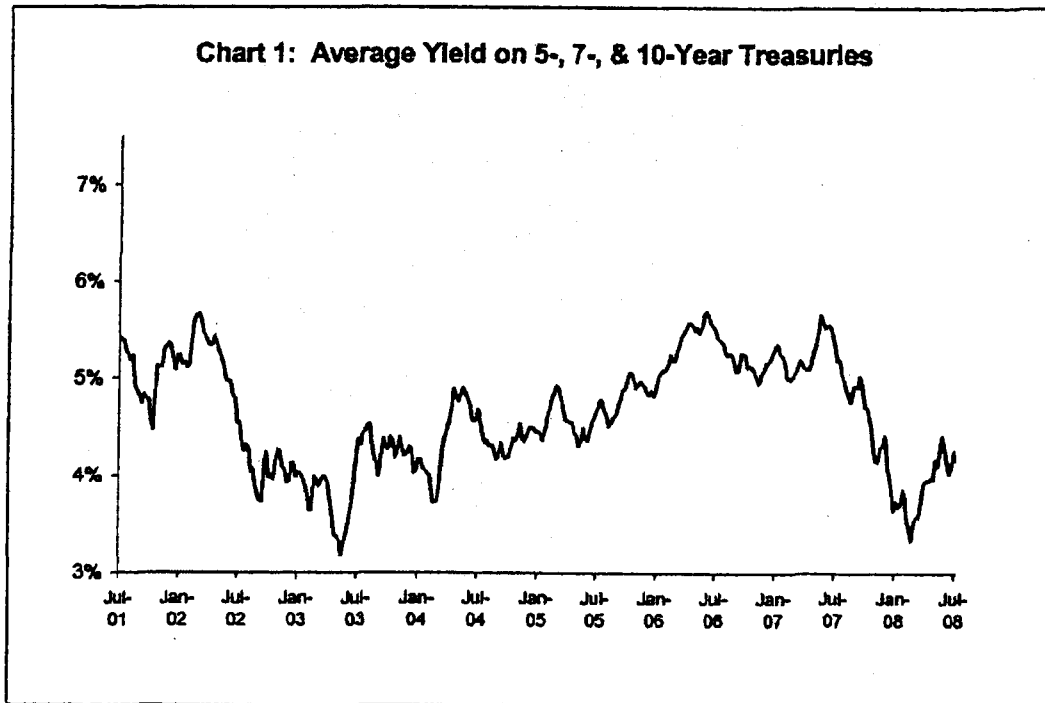
13 **Q. Is there any relationship between interest rates and the cost of equity capital?**

14 **A.** Yes. The cost of equity tends to move in the same direction as interest rates. This
15 relationship is integral to the capital asset pricing model ("CAPM") formula. The CAPM
16 is a market based model used for estimating the cost of equity capital that is discussed in
17 Section V of this testimony. Therefore, a comparison of current interest rates to historical
18 interest rates provides insight for how the current cost of equity capital might be compared
19 to the cost of equity capital historically.
20

21 **Q. What has been the general trend of interest rates in recent years?**

22 **A.** A chronological chart of interest rates is a good tool to show interest rate history and
23 identify trends. Chart 1 graphs intermediate U.S. treasury rates from July 2002 to July
24 2008.

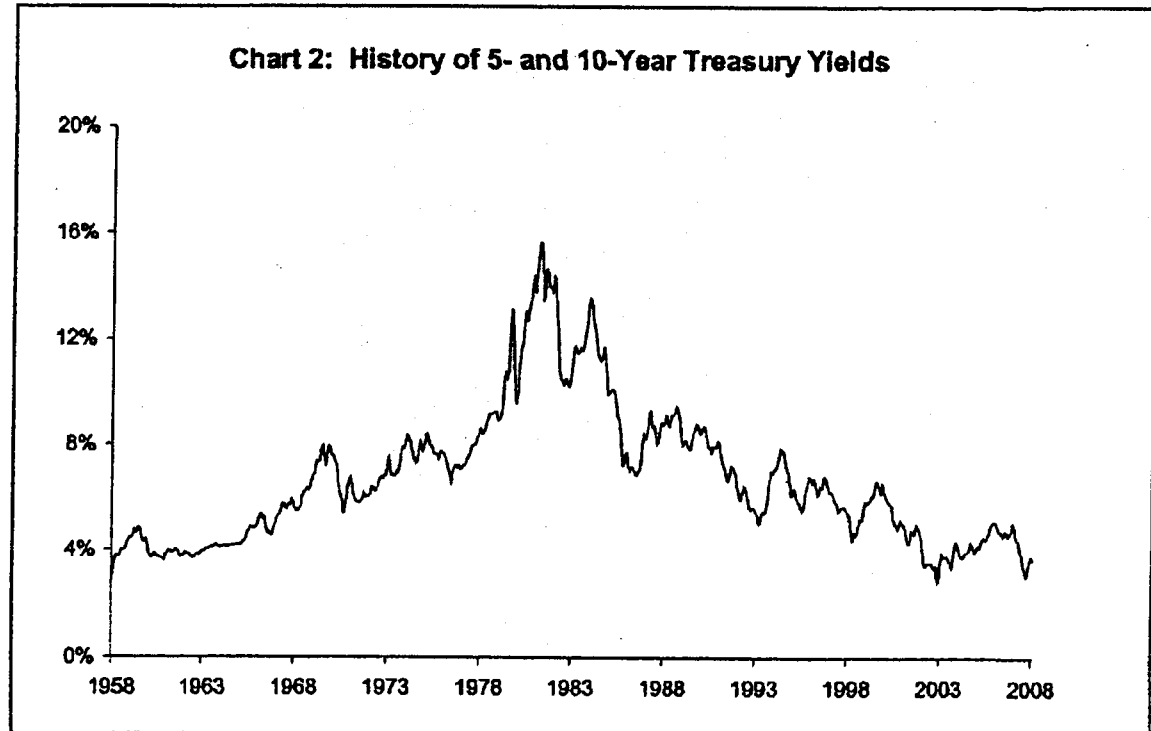
² Value Line Summary & Index. 7-25-08



15 Chart 1 shows that intermediate interest rates trended downward from 2001 to mid-2003;
16 then, trended upward to mid-2006; subsequently, remained relatively steady at about 5
17 percent to mid-2007; and have declined since then to about 4 percent.

18
19 **Q. How do current interest rates compare to a longer term history of interest rates, and**
20 **what does it suggest for capital costs?**

21 **A.** Chart 2 shows that interest rates have trended downward in the immediate past period of
22 approximately 25 years. It also shows that interest rates over the past 40 years have been
23 higher than currently. The inference from the relationship between interest rates and the
24 cost of equity capital is that current capital costs are low in comparison to historical capital
25 costs.



Source: Federal Reserve

14
15 **Q. Do actual returns represent the cost of equity?**

16 **A. No.** The cost of equity represents investors' *expected* returns not realized accounting
17 returns.

18
19 **Q. Is there any information available that leads to an understanding of the relationship
20 between the equity returns required for a regulated water utility versus the market?**

21 **A. Yes.** A comparison of betas, a component of the CAPM discussed in Section V, for the
22 water utility industry and the market provides insight into this relationship. The average
23 beta (1.01)³ for a water utility is about the same than the theoretical average beta for all
24 stocks (1.0). According to the CAPM formula, the cost of equity capital moves in the
25 same direction as beta. Since the beta for the water utility industry is about the same than

³ See Schedule PMC-7

1 the beta for the market, the implication is that the required return on equity for a regulated
2 water utility is approximately the average required return on the market.

3
4 **Risk**

5 **Q. Please define risk.**

6 **A.** Risk, as it relates to an investment, is generally recognized as the variability or uncertainty
7 of the returns on the investment. Risk is often separated into two components. Those
8 components are market risk (systematic risk) and non-market risk (unique risk).

9
10 **Q. What is market risk?**

11 **A.** Market risk or systematic risk is the risk that changes in the stock market as a whole will
12 cause changes in the stock price of a particular entity. Market risk is related to the
13 economy-wide perils that affect all business such as inflation, interest rates, and general
14 business cycles. Market risk affects all stocks and it cannot be eliminated by
15 diversification, i.e., it is non-diversifiable. However, the impact on each entity is not
16 necessarily the same. Accordingly, market risk is the only risk that affects the cost of
17 equity.

18
19 **Q. Is there a measure for market risk?**

20 **A.** Yes. Market risk is measured by the beta. Beta reflects both the business risk and
21 financial risk of an entity.

22
23 **Q. How are business and financial risks defined?**

24 **A.** Business risk is that risk which is associated with the fluctuation in earnings due to the
25 basic nature of an entity's business. Financial risk is that risk which affects shareholders
26 due to a firm's use of fixed obligation (i.e., debt) financing.

1 Q. Is the cost of equity affected by both business and financial risk?

2 A. Yes.

3
4 Q. What is the relationship between the capital structure of a firm and its financial
5 risk?

6 A. As previously discussed, the relative proportions of short-term debt, long-term debt
7 (including capital leases), preferred stock and common stock used to finance an entity's
8 assets represent its capital structure. Financial risk increases as an entity includes a greater
9 proportion of fixed obligation financing in its capital structure (i.e., as it becomes more
10 leveraged). An increase in financial risk is reflected in the market risk measured by beta
11 resulting in an increase in an entity's cost of equity.

12
13 Q. How does Chaparral City's financial risk compare to the sample water companies'
14 financial risk from the perspective of an investor?

15 A. From an investor's perspective Chaparral City's capital structure is composed of
16 approximately 24.4 percent debt and 75.6 percent equity. Schedule PMC-4 shows the
17 capital structures of six publicly traded water companies ("sample water companies") as
18 of March 31, 2008, as well as Chaparral City's actual capital structure. As of March 31,
19 2008, the sample water utilities were capitalized with approximately 49.9 percent debt and
20 50.1 percent equity, while Chaparral City's actual capital structure consists of
21 approximately 24.4 percent debt and 75.6 percent equity. Consequently, Chaparral City's
22 shareholders bear less financial risk than the shareholders of the sample water companies.

23
24 Q. What is non-market risk?

25 A. Non-market (unique risk) is risk related to an individual entity. There is no correlation
26 among entities for unique risk; accordingly, it can be eliminated through diversification.

1 Specifically, investors can eliminate unique risk by holding a diversified investment
2 portfolio.

3
4 **Q. Is unique risk measured by beta?**

5 **A. No. Unique risk is not measured by beta.**
6

7 **Q. Is the cost of equity affected by unique risk?**

8 **A. No. Since unique or firm-specific risk can be eliminated through diversification, it does**
9 **not affect the cost of equity capital.**
10

11 **Q. What additional return can investors expect to account for unique risk?**

12 **A. None. Investors who hold diversified portfolios can eliminate unique risk, and**
13 **consequently do not require any related additional return. Since investors who choose to**
14 **be less than fully diversified must compete in the market with fully diversified investors,**
15 **the former cannot expect to be compensated for unique risk.**
16

17 **V. ESTIMATING THE COST OF EQUITY**

18 **Introduction**

19 **Q. Did Staff directly estimate the cost of equity for the Applicant?**

20 **A. No. Staff did not directly estimate Chaparral City's cost of equity for two reasons. First,**
21 **Chaparral City's stock is not publicly traded; therefore, its cost of equity cannot be**
22 **estimated because the required information is not available to perform the analysis.**
23 **Second, using an average of a representative sample group reduces the potential for**
24 **random fluctuations resulting in a more reliable estimate, vis-à-vis relying on a single**
25 **entity.**

1 **Q. What companies did Staff select as proxies or comparables for Chaparral City?**

2 **A. Staff selected six publicly traded water utilities shown in Schedule PMC-4. Staff chose**
3 these six entities because they derive most of their earnings from regulated operations, and
4 they are currently analyzed by *The Value Line Investment Survey Small and Mid Cap*
5 *Edition* ("*Value Line Small Cap*") and *The Value Line Investment Survey* ("*Value Line*")
6 making available the necessary information to perform a cost of capital estimation for
7 Chaparral City.

8
9 **Q. What models did Staff implement to estimate Chaparral City's cost of equity?**

10 **A. The cost of equity is determined by the market; therefore, Staff used two market-based**
11 models to estimate the cost of equity for Chaparral City: the discounted cash flow model
12 ("*DCF*") and the CAPM.

13
14 **Q. Explain why Staff chose the DCF and CAPM?**

15 **A. Staff chose to use the DCF and CAPM because they are widely recognized as appropriate**
16 market-based models and have been used extensively to estimate the cost of equity. A
17 description of the DCF and then the CAPM begins immediately below.

18
19 **Discounted Cash Flow Model Analysis**

20 **Q. Please provide a brief summary of the theory underlying use of the DCF to estimate**
21 the cost of equity.

22 **A. The theory underlying use of the DCF to estimate the cost of capital is that the cost of**
23 equity is that discount rate which equates the current market price to all future cash flows
24 expected by investors. That is, the cost of equity is the rate that future expected cash
25 flows (primarily dividends) must be discounted to equal a given market price.

1 In the 1960s, Professor Myron Gordon pioneered the use of the DCF method to estimate
2 the cost of capital for a public utility. The DCF model has become widely used due to its
3 theoretical merit and its simplicity.
4

5 **Q. How is the DCF model applied?**

6 **A.** The DCF model is applied via a mathematical formula where the current market price, the
7 expected dividend, and projected dividend growth rate are inputs, while the discount rate
8 (cost of equity) is the result. The formula can be applied to a sample of companies that
9 exhibit similar risk to the entity whose cost of equity is being estimated and the results
10 averaged to arrive at an estimate of the cost of equity for the subject entity.
11

12 **Q. Did Staff apply more than one version of the DCF?**

13 **A.** Yes. Staff applied two versions of the DCF: the constant-growth DCF and the multi-stage
14 or non-constant growth DCF. The constant-growth DCF assumes that an entity will grow
15 indefinitely at the same rate. Alternately, the non-constant growth DCF does not assume
16 one constant, indefinite dividend growth rate.

1 The Constant-Growth DCF

2 Q. What is the mathematical formula used in Staff's constant-growth DCF analysis?

3 A. The constant-growth DCF formula used in Staff's analysis is:

Equation 2:

$$K = \frac{D_1}{P_0} + g$$

where: K = the cost of equity
 D_1 = the expected annual dividend
 P_0 = the current stock price
 g = the expected infinite annual growth rate of dividends

4
5 Equation 2 assumes that the entity has a constant earnings retention rate and that its
6 earnings are expected to grow at a constant rate. According to Equation 2, a stock with a
7 current market price of \$10 per share, an expected annual dividend of \$0.39 per share and
8 an expected dividend growth rate of 5.0 percent per year has a cost of equity to the entity
9 of 8.9 percent reflected by the sum of the dividend yield ($\$0.39 / \$10 = 3.9$ percent) and the
10 5.0 percent annual dividend growth rate.

11
12 Q. How did Staff calculate the dividend yield component (D_1/P_0) of the constant-growth
13 DCF formula?

14 A. Staff calculated the yield component of the DCF formula by dividing the expected annual
15 dividend⁴ (D_1) by the spot stock price (P_0) after the close of the market August 6, 2008, as
16 reported by *MSN money*.

⁴ Value Line Summary & Index. 7-25-08

1 Q. Why did Staff use the spot stock price rather than a historical average stock price to
2 calculate the dividend yield component of the DCF formula?

3 A. Use of the current market stock price (spot stock price) is consistent with finance theory,
4 i.e., the efficient market hypothesis. This hypothesis asserts that the current stock price
5 reflects information investors use to form expectations of future returns. Use of a
6 historical average of stock prices illogically discounts the most recent information in favor
7 of less recent information. The latter is stale and is representative of underlying
8 conditions that may have changed.

9
10 Q. How did Staff estimate the dividend growth (g) component of the constant-growth
11 DCF model represented by Equation 2?

12 A. The dividend growth component for Staff's constant-growth DCF model is the average of
13 six different estimation methods as shown in Schedule PMC-8. Staff computed both
14 historical and projected growth estimates on dividend-per-share ("DPS")⁵, earnings-per-
15 share ("EPS")⁶ and sustainable growth bases.

16
17 Q. Why did Staff examine EPS growth to estimate the dividend growth component of
18 the constant-growth DCF model?

19 A. Staff examined EPS growth (both historical and projected) because dividends are
20 dependent on earnings. Dividend distribution in excess of earnings results in capital
21 contraction. Continued capital contraction is not sustainable in the long run, and it is
22 inconsistent with the constant-growth DCF model. Therefore, EPS growth is an
23 appropriate consideration for estimating expected dividend growth.

⁵ Derived from information provided by *Value Line*

⁶ Derived from information provided by *Value Line*

1 Q. How did Staff estimate historical DPS growth?

2 A. Staff estimated historical DPS growth by calculating the average rate of growth in DPS of
3 the sample water companies from 1997 to 2007. The results of that calculation are shown
4 in Schedule PMC-5. Staff calculated an average historical DPS growth rate of 2.9 percent
5 for the sample water utilities for the period 1997 to 2007.
6

7 Q. How did Staff estimate the projected DPS growth?

8 A. Staff calculated an average of the projected DPS growth rates for the sample water utilities
9 from *Value Line*. The average projected DPS growth rate is 4.2 percent as shown in
10 Schedule PMC-5.
11

12 Q. How did Staff calculate the historical EPS growth rate?

13 A. Staff estimated historical EPS growth by calculating the average rate of growth in EPS of
14 the sample water companies from 1997 to 2007. The results of that calculation are shown
15 in Schedule PMC-5. Staff calculated an average historical EPS growth rate of 3.6 percent
16 for the sample water utilities for the period 1997 to 2007.⁷
17

18 Q. How did Staff estimate the projected EPS growth?

19 A. Staff calculated an average of the projected EPS growth rates for the sample water utilities
20 from *Value Line*. The average projected EPS growth rate is 8.4 percent as shown in
21 Schedule PMC-5.

⁷ Staff has excluded one data input from the calculation. EPS from the period of 1997 to 2007 for California Water resulted in a negative 2.0 percent EPS growth rate. Staff excluded the negative result of the calculation of average growth in EPS for the sample companies in that period, because negative growth is inconsistent with the DCF model.

1 Q. How did Staff calculate its historical and projected sustainable growth rates?

2 A. Staff's historical and projected sustainable growth rates were calculated by adding their
3 respective retention growth rate terms (br) to their respective stock financing growth rate
4 terms (vs) as shown in Schedule PMC-6.

5
6 Q. What is retention growth?

7 A. Retention growth is the growth in dividends due to the retention of earnings. Viewed
8 differently, an entity cannot expect to grow dividends if it does not retain any earnings.
9 Retention growth is dependent on the percentage of earnings retained (retention ratio) and
10 the value of earnings. Mathematically, the retention growth rate is the product of the
11 retention ratio and the book/accounting return on equity.

12
13 Q. What is the formula for the retention growth rate?

14 A. The retention growth rate formula is:

15

Equation 3 :

$$\text{Retention Growth Rate} = br$$

where: b = the retention ratio (1 - dividend payout ratio)
 r = the accounting/book return on common equity

16

17 Q. How did Staff calculate the average historical retention growth rate (br) for the
18 sample water utilities?

19 A. First, Staff calculated the retention rate for each of the sample water companies from 1998
20 to 2007. Then Staff calculated the mean of those results. The historical average retention
21 (br) growth for the sample water utilities is 2.9 percent as shown in Schedule PMC-6.

1 Q. How did Staff determine projected retention growth rate (br) for the sample water
2 utilities?

3 A. Staff used the retention growth projections for the sample water utilities for the period
4 2011 to 2013 from *Value Line*. The projected average retention growth rate for the sample
5 water utilities is 5.5 percent as shown in Schedule PMC-5.

6
7 Q. When can retention growth provide a reasonable estimate of future dividend
8 growth?

9 A. The retention growth rate is a reasonable estimate of future dividend growth when the
10 retention ratio is reasonably constant and the entity's market price to book value ("market-
11 to-book ratio") is expected to be 1.0. The average retention ratio has been reasonably
12 constant in recent years. However, the market-to-book ratio for the sample water utilities
13 is 2.0, notably higher than 1.0, as shown in Schedule PMC-7.

14
15 Q. Is there any financial implication of a market-to-book ratio greater than 1.0?

16 A. Yes. A market-to-book ratio greater than 1.0 implies that investors expect an entity to
17 earn an accounting/book return on its equity that exceeds its cost of equity. The
18 relationship between required returns and expected cash flows is readily observed in the
19 fixed securities market. For example, assume an entity contemplating issuance of bonds
20 with a face value of \$10 million at either 5 percent or 7 percent, and thus, paying annual
21 interest of \$500,000 or \$700,000, respectively. Regardless of investors' required return on
22 similar bonds, investors will be willing to pay more for the bonds if issued at 7 percent
23 than if the bonds are issued at 5 percent. For example, if the current interest rate required
24 by investors is 5 percent, then they would bid \$10 million for the 5 percent bonds and
25 more than \$10 million for the 7 percent bonds. Similarly, if equity investors require a 7
26 percent return and expect an entity to earn accounting/book returns of 11 percent, the

1 market will bid up the price of the entity's stock to provide the required return of 7
2 percent.

3
4 **Q. How has Staff generally recognized a market-to-book ratio exceeding 1.0 in its cost of**
5 **equity analyses in recent years?**

6 **A.** First, Staff has assumed that investors expect the market-to-book ratio to remain greater
7 than 1.0. Given that assumption, Staff has added a stock financing growth rate (vs) term
8 to the retention ratio (br) term to calculate its historical and projected sustainable growth
9 rates.

10
11 **Q. Do the historical and projected sustainable growth rates Staff uses to develop its**
12 **DCF cost of equity in this case continue to include a stock financing growth rate**
13 **term?**

14 **A.** Yes.

15
16 **Q. What is stock financing growth?**

17 **A.** Stock financing growth is the growth in an entity's dividends due to the sale of stock by
18 that entity. Stock financing growth is a concept derived by Myron Gordon and discussed
19 in his book *The Cost of Capital to a Public Utility*.⁸ Stock financing growth is the product
20 of the fraction of the funds raised from the sale of stock that accrues to existing
21 shareholders (v) and the fraction resulting from dividing the funds raised from the sale of
22 stock by the existing common equity (s).

23
24

⁸ Gordon, Myron J. *The Cost of Capital to a Public Utility*. MSU Public Utilities Studies, Michigan, 1974. pp 31-35.

1 Q. What is the mathematical formula for the stock financing growth rate?

2 A. The mathematical formula for stock financing growth is:

Equation 4:

$$\text{Stock Financing Growth} = vs$$

where : v = Fraction of the funds raised from the sale of stock that accrues
to existing shareholders

s = Funds raised from the sale of stock as a fraction of the existing
common equity

3

4 Q. How is the variable v presented above calculated?

5 A. Variable v is calculated as follows:

6

Equation 5:

$$v = 1 - \left(\frac{\text{book value}}{\text{market value}} \right)$$

7

8 For example, assume that a share of stock has a \$40 book value and is selling for \$50.

9 Then, to find the value of v , the formula is applied:

$$v = 1 - \left(\frac{40}{50} \right)$$

10

11 In this example, v is equal to 0.20.

1 Q. How is the variable s presented above calculated?

2 A. Variable s is calculated as follows:

3
4 Equation 6:

5
6
$$s = \frac{\text{Funds raised from the issuance of stock}}{\text{Total existing common equity before the issuance}}$$

7
8

9 For example, assume that an entity has \$100 in existing equity, and it sells \$10 of stock.
10 Then, to find the value of s , the formula is applied:

11
12
$$s = \left(\frac{10}{100} \right)$$

13

14 In this example, s is equal to 10.0 percent.

15 Q. What is the vs term when the market-to-book ratio is equal to 1.0?

16 A. A market-to-book ratio equal to 1.0 reflects that investors expect an entity to earn a
17 book/accounting return on their equity investment equal to the cost of equity. When the
18 market-to-book ratio is equal to 1.0, none of the funds raised from the sale of stock by the
19 entity accrues to the benefit of existing shareholders, i.e., the term v is equal to zero (0.0).
20 Consequently, the vs term is also equal to zero (0.0). When stock financing growth is
21 zero, dividend growth depends solely on the br term.

22 Q. What is the effect of the vs term when the market-to-book ratio is greater than 1.0?

23 A. A market-to-book ratio greater than 1.0 reflects that investors expect an entity to earn a
24 book/accounting return on their equity investment greater than the cost of equity.

1 Equation 5 shows that when the market-to-book ratio is greater than 1.0 the v term is also
2 greater than zero. The excess by which new shares are issued and sold over book value
3 per share of outstanding stock is a contribution that accrues to existing stockholders in the
4 form of a higher book value. The resulting higher book value leads to higher expected
5 earnings and dividends. Continued growth from the vs term is dependent upon the
6 continued issuance and sale of additional shares at a price that exceeds book value per
7 share.

8
9 **Q. What vs estimate did Staff calculate from its analysis of the sample water utilities?**

10 **A.** Staff estimated an average stock financing growth of 2.5 percent for the sample water
11 utilities as shown in Schedule PMC-6.

12
13 **Q. What would occur if an entity had a market-to-book ratio greater than 1.0 due to**
14 **investors expecting earnings to exceed the cost of equity capital and the entity**
15 **subsequently experienced newly authorized rates equal to its cost of equity capital?**

16 **A.** There would be downward pressure on the entity's stock price to reflect the change in
17 future expected cash flows because, in theory, the market-to-book ratio should decline to
18 1.0.

19
20 **Q. What is implied by Staff's continued use of the vs term in the historical and projected**
21 **sustainable growth rates Staff uses to develop its DCF cost of equity is this case?**

22 **A.** The implication is that there are expectations regarding the market-to-book ratio
23 continuing to exceed 1.0, and that the water utilities will continue to issue and sell stock at
24 prices exceeding book value to provide benefits to existing shareholders. If the authorized
25 ROEs for water utilities are established at the cost of equity capital, the market-to-book
26 ratio should decline to 1.0. If that occurs, the stock financing term would no longer be

1 necessary. If investors expect the average market-to-book ratio of the sample water
2 utilities to fall to 1.0 due to authorized ROEs equaling the cost of equity capital, then
3 Staff's inclusion of the *vs* term in its constant-growth DCF analysis might result in an over
4 estimate of its sustainable dividend growth rate and the resulting DCF ROE estimate.
5

6 **Q. What are Staff's historical and projected sustainable growth rates?**

7 **A.** Staff's estimated historical sustainable growth rate is 5.4 percent based on an analysis of
8 earnings retention for the sample water companies. Staff's projected sustainable growth
9 rate is 9.0 percent based on retention growth projected by *Value Line*. Schedule PMC-6
10 presents Staff's estimates of the sustainable growth rate.
11

12 **Q. What is Staff's expected infinite annual growth rate in dividends?**

13 **A.** Staff averaged historical and projected DPS, EPS, and sustainable growth estimates to
14 calculate the expected infinite annual growth rate in dividends. Schedule PMC-8 presents
15 the calculation of the expected infinite annual growth rate in dividends. Staff's estimate is
16 5.6 percent.
17

18 **Q. What is Staff's constant-growth DCF estimate?**

19 **A.** Staff's constant-growth DCF estimate is 8.8 percent, which is shown in Schedule PMC-3.
20

21 *The Multi-Stage DCF*

22 **Q. Why did Staff implement the multi-stage DCF to estimate Chaparral City's cost of**
23 **equity?**

24 **A.** As previously stated, Staff used the multi-stage DCF to consider the assumption that
25 dividends may not grow at a constant rate. Staff's multi-stage DCF incorporates two
26 growth rates: a near-term growth rate and a long-term growth rate.

1 Q. What is the mathematical formula for the multi-stage DCF?

2 A. The multi-stage DCF formula is shown in the following equation:

Equation 7 :

$$P_0 = \sum_{t=1}^n \frac{D_t}{(1+K)^t} + \frac{D_n(1+g_n)}{K-g_n} \left[\frac{1}{(1+K)} \right]^n$$

Where : P_0 = current stock price
 D_t = dividends expected during stage 1
 K = cost of equity
 n = years of non - constant growth
 D_n = dividend expected in year n
 g_n = constant rate of growth expected after year n

3

4

As mentioned above, Staff incorporated two growth rates. This assumes that investors expect dividends to grow at a one rate in the near-term ("Stage-1 growth") and another rate in the long-term ("Stage-2 growth").

7

8 Q. What steps did Staff take to implement its multi-stage DCF cost of equity model?

9

10

11

12

13

14

15

16

17

A. First, Staff projected a stream of dividends for each of the sample water utilities using near-term and long-term growth rates. Second, Staff calculated the rate (cost of equity) which equates the present value of the forecasted stream of dividends to the current stock price for each of the sample water utilities. Then, Staff calculated an average of the individual sample company cost of equity estimates.

Q. How did Staff calculate near-term (stage-1) growth?

A. Staff projected four years of dividends for each of the sample water utilities. Projections for the first twelve months, to the extent available, were from *Value Line*. The dividend

1 projections for the remainder of stage 1 reflect the average dividend growth rate calculated
2 in Staff's constant growth DCF analysis, or 5.6 percent, as shown in Schedule PMC-8.

3
4 **Q. How did Staff estimate long-term (stage-2) growth?**

5 A. Staff used the arithmetic average rate of growth in gross domestic product ("GDP") from
6 1929 to 2007⁹. Using the GDP growth rate assumes that the water utility industry is
7 expected to grow at the same rate as the overall economy.

8
9 **Q. What is the historical GDP growth rate that Staff used to estimate stage-2 growth?**

10 A. Staff used 6.7 percent to estimate the stage-2 growth rate.

11
12 **Q. What is Staff's multi-stage DCF estimate?**

13 A. Staff's multi-stage DCF estimate is 9.8 percent as shown in Schedule PMC-9.

14
15 **Q. What is Staff's overall DCF estimate?**

16 A. Staff's overall DCF estimate is 9.3 percent. Staff calculated the overall DCF estimate by
17 averaging the constant growth DCF (8.8 percent) and multi-stage DCF (9.8 percent)
18 estimates as shown in Schedule PMC-3.

19
20 **Capital Asset Pricing Model**

21 **Q. Please describe the Capital Asset Pricing Model.**

22 A. The CAPM is concerned with the determination of the prices of capital assets in a
23 competitive market. The CAPM model describes the relationship between a security's
24 investment risk and its market rate of return. This relationship identifies the expected rate
25 of return which investors expect a security to earn so that its market return is comparable

⁹ www.bea.doc.gov

1 with the market returns earned by other securities of similar risk.¹⁰ The CAPM model
2 assumes that investors require a return that is commensurate with the level of risk
3 associated with a particular security. The model also assumes that investors will
4 sufficiently diversify their investments to eliminate any non-systematic or unique risk.¹¹
5 In 1990, Professors Harry Markowitz, William Sharpe, and Merton Miller earned the
6 Nobel Prize in Economic Sciences for their contribution to the development of the CAPM.

7
8 **Q. What sample did Staff use to compute the CAPM to estimate Chaparral City's cost**
9 **of equity?**

10 **A. Staff used the same sample water utilities for its CAPM computation that it used for its**
11 **DCF analysis.**

12
13 **Q. What is the mathematical formula for the CAPM?**

14 **A. The mathematical formula for the CAPM is:**
15

Equation 8:

$$K = R_f + \beta (R_m - R_f)$$

where: R_f = risk free rate
 R_m = return on market
 β = beta
 $R_m - R_f$ = market risk premium
 K = expected return

16
¹⁰ David C. Purcell: Cost of Capital - A Practitioner's Guide Pg. 6-1.

¹¹ The CAPM makes the following assumptions: 1. single holding period 2. perfect and competitive securities market
3. no transaction costs 4. no restrictions on short selling or borrowing 5. the existence of a risk-free rate 6.
homogeneous expectations.

1 The equation shows that the expected return (K) on a risky asset is equal to the risk-free
2 interest rate ("R_f") plus the product of the market risk premium ("R_p") ($R_m - R_f$)
3 multiplied by beta (β) where beta represents the riskiness of the investment relative to the
4 market.

5
6 **Q. What did Staff use as an estimate for the risk-free rate of interest in its historical**
7 **market risk premium CAPM method?**

8 **A.** Staff calculated an estimate of the risk-free rate of interest by averaging three (five-,
9 seven- and ten-year) intermediate-term U.S. Treasury securities' spot rates on August 6,
10 2008, to correspond with the date Staff selected the sample companies' stock spot market
11 prices. Staff's estimated risk-free rate for use in its historical market risk premium CAPM
12 method is 3.7 percent¹² as shown in Schedule PMC-3.

13
14 **Q. What did Staff use as an estimate for the risk-free rate of interest in its current**
15 **market risk premium CAPM method?**

16 **A.** Staff used the August 6, 2008, spot rate on 30-year U.S. Treasury notes as presented in the
17 U.S. Treasury Department website.

18
19 **Q. Why do U.S. Treasury security spot rates provide an appropriate representation of**
20 **the risk-free rate?**

21 **A.** U.S. Treasury spot rates represent a good estimate of a risk free rate because they have
22 virtually no chance of default and are backed by the U.S. Government. Besides, they are
23 verifiable, objective and readily available.

¹² Average yield on 5-, 7-, and 10-year Treasury notes according to the U.S. Treasury Department website at www.ustreas.gov: 3.30%, 3.62% and 4.06%, respectively.

1 Q. What does beta measure?

2 A. Beta measures the systematic risk of a particular entity's stock relative to the market's
3 beta which is 1.0. Systematic risk is the only risk that cannot be diversified away;
4 therefore, it is the only risk that is relevant when estimating an entity's required return.
5 Since the market's beta is 1.0, a security with a beta higher than 1.0 is riskier than the
6 market and a security with a beta lower than 1.0 is less risky than the market.

7
8 Q. How did Staff estimate a proxy for Chaparral City's beta?

9 A. Staff averaged the *Value Line* betas of the sample water utilities and used this average as a
10 proxy for Chaparral City's beta. Schedule PMC-7 shows the *Value Line* betas for each of
11 the sample water utilities. Staff's estimated beta for Chaparral City is 1.01.

12
13 Q. What is a descriptive explanation for the expected market risk premium ($R_m - R_f$)?

14 A. Descriptively, the expected market risk premium is the expected return on all common
15 stocks minus the risk free rate. It is the additional amount of return over the risk-free rate
16 that investors expect to receive from investing in the market (or an average-risk security).
17 Staff used two approaches to calculate the market risk premium: the historical market risk
18 premium approach and the current market risk premium approach.

19
20 Q. What is the historical market risk premium estimate approach used by Staff?

21 A. The historical market risk premium estimate approach assumes that if the long-run
22 average market risk premium is used consistently to estimate the expected market risk
23 premium, it should, on average, yield the correct premium. In this approach, Staff
24 assumed that the average historical market risk premium estimate is a reasonable estimate
25 of the expected market risk premium.

1 Q. How did Staff calculate the historical market risk premium?

2 A. Staff calculated the historical market risk premium by averaging the historical arithmetic
3 differences between the S&P 500 and the intermediate-term government bond income
4 returns published in Morningstar's¹³ *Ibbotson Stocks, Bonds, Bills, and Inflation 2008*
5 *Classic Yearbook* for the period 1926-2007. Morningstar calculated the historical risk
6 premium by averaging the historical arithmetic differences between the S&P 500 and the
7 intermediate-term government bond income returns. Staff's historical market risk
8 premium estimate is 7.5 percent as shown in Schedule PMC-3.

9
10 ~~Q. How did Staff calculate the current market risk premium estimate?~~

11 ~~A. Staff first derived a DCF ROE of 17.3 (2.3 + 15.02¹⁴) percent using the expected dividend~~
12 ~~yield (2.3 percent over the next twelve months) and the annual per share growth rate~~
13 ~~(15.02 percent) that Value Line projects for all dividend paying stocks under its review~~
14 ~~(August 15, 2008) as inputs. Then, Staff used the DCF-derived ROE (17.3 percent), the~~
15 ~~current long-term risk-free rate (4.7 percent 30-year Treasury note) and the market's~~
16 ~~average beta of 1.0 as inputs into equation 8 to solve for the implied current market risk~~
17 ~~premium of 12.6 percent.¹⁵~~

18
19 ~~Q. What is the range of Staff's expected market risk premium estimates?~~

20 ~~A. Staff's market risk premium estimates range from 7.5 percent to 12.6 percent.~~

¹³ Formerly published by Ibbotson Associates.

¹⁴ The three to five year price appreciation is 75%. $1.75^{0.25} - 1 = 15.02\%$

¹⁵ $17.32\% = 4.68 + (1) (12.64)$

1 ~~Q. What is Staff's overall CAPM estimate?~~

2 ~~A. Staff's overall CAPM estimate is 14.3 percent. Staff's overall CAPM estimate is the~~
3 ~~average of the historical market risk premium CAPM (11.2 percent) and the current~~
4 ~~market risk premium CAPM (17.4 percent) estimates as shown in Schedule PMC-3.~~

5
6 **VI. SUMMARY OF STAFF'S COST OF EQUITY ANALYSIS**

7 **Q. What is the result of Staff's constant-growth DCF analysis to estimate of the cost of**
8 **equity to the sample water utilities?**

9 **A. Schedule PMC-3 shows the result of Staff's constant-growth DCF analysis. The result of**
10 **Staff's constant-growth DCF analysis is as follows:**

11 $k = \text{Dividend yield} + \text{Expected dividend growth}$

12 $k = 3.2\% + 5.6\%$

13
14 $k = 8.8\%$

15
16 Staff's constant-growth DCF estimate of the cost of equity to the sample water utilities is
17 8.8 percent.

1 Q. What is the result of Staff's multi-stage DCF analysis to estimate the cost of equity
2 for the sample utilities?

3 A. Schedule PMC-9 shows the result of Staff's multi-stage DCF analysis. The result of
4 Staff's multi-stage DCF analysis is:

5	Company	Equity Cost
6		Estimate (k)
7		
8	American States Water	9.4%
9	California Water	9.8%
10	Aqua America	9.8%
11	Connecticut Water	10.2%
12	Middlesex Water	10.7%
13	SJW Corp	<u>9.2%</u>
14		
15	Average	9.8%

16
17 Staff's multi-stage DCF estimate of the cost of equity for the sample water utilities is 9.8
18 percent.

19
20 Q. What is Staff's overall DCF estimate of the cost of equity for the sample utilities?

21 A. Staff's overall DCF estimate of the cost of equity for the sample utilities is 9.3 percent.
22 Staff's overall DCF estimate was calculated by averaging Staff's constant growth DCF
23 (8.8 percent) and Staff's multi-stage DCF (9.8 percent) estimates as shown in Schedule
24 PMC-3.

1 Q. What is the result of Staff's historical market risk premium CAPM analysis to
2 estimate of the cost of equity for the sample utilities?

3 A. Schedule PMC-3 shows the result of Staff's CAPM analysis using the historical risk
4 premium estimate. The result is as follows:
5

$$K = R_f + \beta (R_m - R_f)$$

$$K = 3.7\% + 1.01 * 7.5\%$$

$$K = 11.2\%$$

6
7
8
9
10 Staff's CAPM estimate (using the historical market risk premium) of the cost of equity to
11 the sample water utilities is 11.2 percent.
12

13 ~~Q. What is the result of Staff's current market risk premium CAPM analysis to~~
14 ~~estimate the cost of equity for the sample utilities?~~

15 ~~A. Schedule PMC-3 shows the result of Staff's CAPM Analysis using the current market risk~~
16 ~~premium estimate. The result is:~~
17

$$\cancel{K} = R_f + \beta (R_m - R_f)$$

$$K = 4.7\% + 1.01 * 12.6\%$$

$$K = 17.4\%$$

18
19
20
21
22 ~~Staff's CAPM estimate (using the current market risk premium) of the cost of equity to the~~
23 ~~sample water utilities is 17.4 percent.~~
24

1 **Q. What is Staff's overall CAPM estimate of the cost of equity for the sample utilities?**

2 **A.** Staff's overall CAPM estimate for the sample utilities is 14.3 percent. Staff's overall
3 CAPM estimate is the average of the historical market risk premium CAPM (11.2 percent)
4 and the current market risk premium CAPM (17.4 percent) estimates as shown in
5 Schedule PMC-3.

6
7 **Q. Please summarize the results of Staff's cost of equity analysis for the sample utilities.**

8 **A.** The following table shows the results of Staff's cost of equity analysis:

9
10 **Table 4**

Method	Estimate
Average DCF Estimate	9.3%
Average CAPM Estimate	14.3%
Overall Average	11.8%

11
12 Staff's average estimate of the cost of equity to the sample water utilities is 11.8 percent.

13
14 **VII. FINAL COST OF EQUITY ESTIMATES**

15 **Q. Has Staff quantified the effect of the difference in financial risk between Chaparral**
16 **City and the sample water utilities on its cost of equity?**

17 **A.** Yes. Staff used the methodology developed by Professor Robert Hamada of the
18 University of Chicago, which incorporates capital structure theory with the CAPM, to
19 estimate the effect of Chaparral City's capital structure on its cost of equity. Staff
20 calculated a financial risk adjustment for Chaparral City of negative 180 basis points.
21 Staff estimated a 10.0 percent cost of equity for Chaparral City by addition of the financial
22 risk adjustment to Staff's average estimate of the cost of equity to the sample water
23 utilities.

1 The calculation is as follows:

2 Equation 9:

3 Adjusted ROE = Overall average estimated ROE + Financial risk adjustment

4 Adjusted ROE for Chaparral City = 11.8% + (- 1.8%)

5 Adjusted ROE for Chaparral City = 10.0%

6
7
8 ~~Q. What is Staff's ROE estimate for Chaparral City?~~

9 ~~A. Staff determined a ROE estimate of 10.0 percent for the Applicant based on cost of equity~~
10 ~~estimates for the sample companies ranging from 9.3 percent for the DCF to 14.3 percent~~
11 ~~for the CAPM and a 180 basis point downward adjustment for the relatively smaller~~
12 ~~financial risk in Chaparral City's capital structure compared to the sample companies.~~

13
14 **VIII. FINAL WEIGHTED AVERAGE COST OF CAPITAL**

15 **Q. What weighted average cost of capital did Staff determine for Chaparral City?**

16 **A. Staff determined a 8.8 percent WACC for the Applicant as shown in Schedule PMC-1 and**
17 **Table 5 below:**

18
19 **Table 5**

	Weight	Cost	Weighted Cost
Long-term Debt	24.4%	5.0%	1.2%
Common Equity	75.6%	10.0%	<u>7.6%</u>
Weighted Average Cost of Capital			<u>8.8%</u>

1 **IX. FAIR VALUE RATE OF RETURN ("FVROR") RECOMMENDATION**

2 **Q. What FVROR does the Company propose in this proceeding?**

3 **A. The Company proposes a 9.32 percent FVROR, which equates its proposed WACC. The**
4 Company continues to propose that the WACC be multiplied by the FVRB in order to
5 calculate its operating margin.

6
7 **Q. What fair value rate of return does Staff recommend for Chaparral City?**

8 **A. Staff recommends a 7.6 percent FVROR for the Applicant as shown in Schedule PMC-2.**
9

10 **Q. How did Staff calculate the FVROR?**

11 **A. Staff's method for calculating the FVROR is discussed in the Direct Testimony of Mr.**
12 Gordon L. Fox. In short, the FVROR is equal to the WACC less an Inflation
13 Adjustment/Accretion Return, as discussed below.

14
15 **Q. How did Staff calculate the Inflation Adjustment/Accretion Return?**

16 **A. Staff first calculated the difference between the treasury yields for 20-year securities, and**
17 the treasury real yields for 20-year securities, to estimate the additional return required by
18 investors due to inflation for a long-term (20-year) horizon (Inflation
19 Adjustment/Accretion Return).¹⁶ Then, Staff multiplied the Accretion return by a 50
20 percent factor.¹⁷ Finally, Staff calculated the FVROR by subtracting the modified
21 Inflation Adjustment/Accretion Factor from the WACC.

22

¹⁶ As of August 8, 2008, 20-year Treasury yield (4.71%) minus 20-year Treasury real yield (2.25%) equals the return required due to inflation (2.46%) according to the U.S. Treasury Department website at www.ustreas.gov.

¹⁷ See further, Direct Testimony of Mr. Gordon L. Fox.

1 Q. Why did Staff use U.S. Treasury securities' spot rates rather than a historical
2 average and/or forecasted rates to estimate the Inflation Adjustment/Accretion
3 Return?

4 A. Staff used U.S. Treasury securities' spot rates on August 6, 2008, to correspond with the
5 date Staff selected the sample companies' stock spot market prices. Use of the current
6 bond yield is consistent with finance theory, i.e., the efficient market hypothesis. Further,
7 as explained in Section X of this testimony, the best estimate of tomorrow's yield is
8 simply today's yield.

9
10 Q. If Staff had adjusted only the cost of equity for inflation, as implemented in Decision
11 No. 70441, what would have been the resulting FVROR?

12 A. In that instance, the resulting FVROR would be 6.9 percent as illustrated in Table 7,
13 below.

14
15 Table 7

Description	Weight (%)	Cost	Weighted Cost
Debt	24.4%	5.0%	1.2%
Common Equity	75.6%	7.5% ¹⁸	5.7%
FVROR			6.9%

16
17 X. STAFF RESPONSE TO THE APPLICANT'S COST OF CAPITAL WITNESS

18 Q. Please summarize Bourassa's analyses and recommendations.

19 A. Mr. Bourassa proposes a 9.32 percent WACC/FVROR based on a capital structure
20 consisting of 23.44 percent debt (at 5.5 percent) and 76.56 percent common equity (at 10.5
21 percent.
22

¹⁸ Cost of Equity (10%) minus inflation adjustment (2.5%).

1 Mr. Bourassa's proposed 10.5 percent ROE is based on analyses for single and multi-stage
2 DCF models, as well as historical and current market risk premium CAPM for the same
3 sample of water companies selected by Staff.

4
5 Mr. Bourassa's ROE results are summarized below:

	<u>Range</u>	<u>Midpoint</u>
6 DCF Constant Growth	8.1% - 13.6%	10.9%
7 Multi-Stage Growth Model	9.3% - 12.4%	10.9%
8 CAPM	11.4% - 11.5%	11.5%

9
10
11 **Q. Does Staff have any comments on Mr. Bourassa's proposed capital structure?**

12 **A.** Yes. Mr. Bourassa's capital structure is out of date. Staff used in its analysis Chaparral's
13 capital structure as of June 31, 2008. Using an updated capital structure provides a more
14 accurate measurement of the Company's capitalization and cost of debt.

15
16 **Q. Does Staff have any comments on Mr. Bourassa's constant growth DCF estimates?**

17 **A.** Yes. Mr. Bourassa relies solely on analysts' forecasts to estimate growth in his constant
18 growth DCF estimates. Analysts' forecasts are known to be overly optimistic. Sole use of
19 analysts' forecasts to calculate the growth in dividends ("g") causes inflated growth, and
20 consequently, inflated cost of equity estimates. Furthermore, sole reliance on analysts'
21 forecasts of earnings growth to forecast DPS is inappropriate because it assumes that
22 investors do not look at other relevant information such as past dividend and earnings
23 growth. In addition, the Commission has previously recognized that analysts' forecasts
24 are overstated.¹⁹

25

¹⁹ Decision No. 66849, Page 22.

1 Q. How does Staff respond to Mr. Bourassa's statement, "To the extent that past results
2 provide useful indications of future growth prospects, analysts' forecasts would
3 already incorporate that information."?²⁰

4 A. The appropriate growth rate to use in the DCF formula is the dividend growth rate
5 expected by investors, not analysts. Therefore, while analysts may have considered
6 historical measures of growth, it is reasonable to assume that investors also rely on past
7 growth. This calls for consideration of both analysts' forecasts as well as past growth.
8

9 Q. Does Staff have any comments on the study cited by Mr. Bourassa, conducted by
10 David A. Gordon, Myron J. Gordon and Lawrence I. Gould²¹ that Mr. Bourassa
11 asserts support exclusive use of analysts' forecasts in the DCF model?

12 A. Yes. The article cited by Mr. Bourassa does not conclude that investors ignore past
13 growth when pricing stocks; therefore, it does not support the sole use of analysts' forecast
14 in the DCF model.
15

16 Q. Does Professor Gordon recommend relying exclusively on analysts' forecasts as the
17 measure of growth in the DCF model?

18 A. No. Subsequent to the study cited by Mr. Bourassa, Professor Gordon provided the
19 keynote address at the 30th Financial Forum of the Society of Utility and Regulatory
20 Financial Analysts, in which he stated:

21 "I understand that companies coming before regulatory agencies
22 liked and advocated the high growth rates in security analyst
23 forecasts for arriving at their cost of equity capital. Instead of
24 rejecting these forecasts, I understand that FERC and other
25 regulatory agencies have decided to compromise with them. In
26 particular, in arriving at the cost of equity for company X, the
27 FERC has decided to arrive at the growth rate in my dividend

²⁰ Bourassa's Direct Testimony, Page 30, lines 6 - 8.

²¹ Gordon, David A., Myron J. Gordon, Lawrence I. Gould. "Choice Among Methods of Estimating Share Yield." *The Journal of Portfolio Management*. Spring 1989. pp. 50-55. (Mr. Bourassa's Direct Testimony, page 30.)

1 growth model by using an average of two growth rates. One is
2 security analysts forecast of the short-term growth rate in earnings
3 provided by IBES or Value Line and the other a more long run and
4 typically lower figure such as the past growth in GNP.

5 Such an average can be questioned on various grounds. However,
6 my judgment is that between the short-term forecast alone and its
7 average with the past growth rate in GNP, *the latter may be a more*
8 *reasonable figure.*²² (Emphasis added)

9 Simply stated, Professor Gordon would temper the typically higher
10 analysts' forecasts with the typically lower GNP growth rate by averaging
11 the two.

12
13 Q. Can Staff provide further evidence to support its assertion that exclusive reliance on
14 analysts' forecasts of earnings growth in the DCF model would result in inflated cost
15 of equity estimates?

16 A. Yes. Experts in the financial community have commented on the optimism in analysts'
17 forecasts of future earnings.²³ A study cited by David Dreman in his book *Contrarian*
18 *Investment Strategies: The Next Generation* found that *Value Line* analysts were
19 optimistic in their forecasts by 9 percent annually, on average for the 1987 – 1989 period.
20 Another study conducted by David Dreman found that between 1982 and 1997, analysts
21 overestimated the growth of earnings of companies in the S&P 500 by 188 percent.

22 In addition, Burton Malkiel of Princeton University studied the one-year and five-year
23 earnings forecasts made by some of the most respected names in the investment business.

24 His results showed that the five-year estimates of professional analysts, when compared

²² Gordon, M. J. Keynote Address at the 30th Financial Forum of the Society of Utility and Regulatory Financial Analysts. May 8, 1998. Transparency 3.

²³ See Siegel, Jeremy J. *Stocks for the Long Run*. 2002. McGraw-Hill. New York. p. 100. Dreman, David. *Contrarian Investment Strategies: The Next Generation*. 1998. Simon & Schuster. New York. pp. 97-98. Malkiel, Burton G. *A Random Walk Down Wall Street*. 2003. W.W. Norton & Co. New York. p. 175.

1 with actual earnings growth rates, were much worse than the predictions from several
2 naïve forecasting models, such as the long-run rate of growth of national income. In the
3 following excerpt from Professor Malkiel's book A Random Walk Down Wall Street, he
4 discusses the results of his study:

5 When confronted with the poor record of their five-year growth
6 estimates, *the security analysts honestly, if sheepishly, admitted*
7 *that five years ahead is really too far in advance to make reliable*
8 *projections.* They protested that although long-term projections
9 are admittedly important, they really ought to be judged on their
10 ability to project earnings changes one year ahead. Believe it or
11 not, it turned out that their one-year forecasts were even worse than
12 their five-year projections.

13 The analysts fought back gamely. They complained that it was
14 unfair to judge their performance on a wide cross section of
15 industries, because earnings for high-tech firms and various
16 "cyclical" companies are notoriously hard to forecast. *"Try us on*
17 *utilities," one analyst confidently asserted. At the time they were*
18 *considered among the most stable group of companies because of*
19 *government regulation. So we tried it and they didn't like it. Even*
20 *the forecasts for the stable utilities were far off the mark.*²⁴
21 (Emphasis added)

²⁴ Malkiel, Burton G. A Random Walk Down Wall Street. 2003. W.W. Norton & Co. New York. p. 175

1 **Q. Does Staff have any concerns regarding Mr. Bourassa's omission of historical and**
2 **forecasted DPS in his DCF constant growth estimates?**

3 **A. Yes. The omission of DPS growth in a DCF analysis implies that investors do not take**
4 **into account dividend growth when pricing stocks. As previously mentioned on Section V**
5 **of this testimony, the current market price of a stock is equal to the present value of all**
6 **expected future dividends, not future earnings. Professor Jeremy Siegel from the Wharton**
7 **School of Finance stated:**

8
9 Note that the price of the stock is always equal to the present value
10 of all future *dividends* and not the present value of future earnings.
11 Earnings not paid to investors can have value only if they are paid
12 as dividends or other cash disbursements at a later date. Valuing
13 stock as the present discounted value of future earnings is
14 manifestly wrong and greatly overstates the value of the firm.²⁵
15

16 In other words, investors pay attention to earnings as long as they are paid as dividends.
17 Earnings can easily be overstated, but if investors do not receive dividends or other cash
18 disbursement at a later date, then such earnings are meaningless.

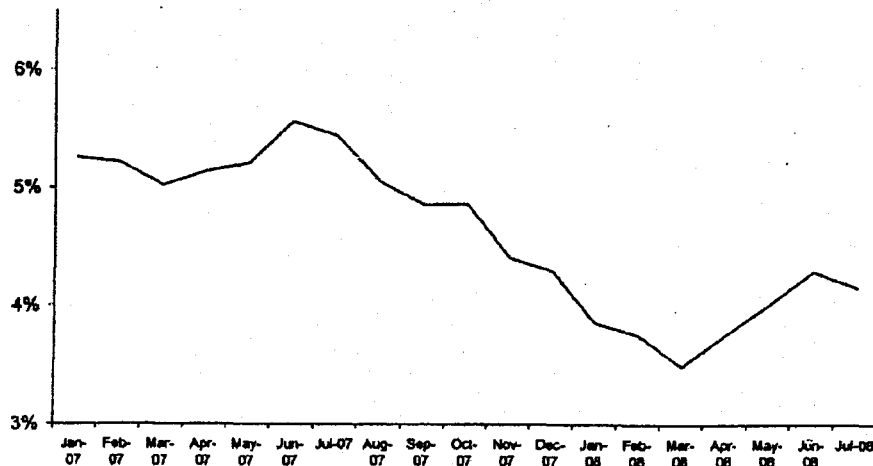
19
20 **Q. Does Staff have any comments on Mr. Bourassa's statement: "More recent data**
21 **suggest the 10-year Treasury Bond and 30 year Treasury bond yields are on the rise?**
22 **On June 13, 2007, for example, the 10-year Treasury bond and 30 year Treasury**
23 **bond yields were 5.20 percent and 5.28 percent, respectively."**²⁶

24 **A. Yes. Mr. Bourassa's correctly points out that there *was* an upward trend in bond yields**
25 **until mid-2007. However, Mr. Bourassa erroneously assumes that such upward trend will**
26 **continue. As evident in Chart 3 (below) the average yield on 10-year and 30-year**
27 **treasuries has decreased since then.**

²⁵ Siegel, Jeremy J. Stocks for the Long Run. 2002. McGraw-Hill. New York. P. 93.

²⁶ Mr. Bourassa's Direct Testimony, page 9, lines 14 - 17.

Chart 3: Average Yield on 10 & 30-Year Treasuries



It is important to consider that analysts who forecast future rates do not have any more information about the future than what is already reflected in the current rate.

According to Nancy L. Jacob of the University of Washington and R. Richardson Pettit of the University of Houston:

While we know something about many of the factors that determine interest rates (money supply, the demand for loanable funds, etc.) little evidence exists to suggest these factors can be predicted with enough accuracy to successfully predict the rates.²⁷

As previously stated, the best forecast of tomorrow's yield is simply today's yield.

"Professional forecasts of financial variables are notoriously unreliable and appear to be

²⁷ Jacob, Nancy L., R. Richardson Pettit. *Investments*. Irwin. Homewood, Ill. 1988. p. 499.

1 getting worse, not better, over time." "The direction of interest rates [bond yields] cannot
2 be predicted any better than by the flip of a coin."²⁸
3

4 **Q. What comment does Staff have in response to the Company's assertion that Staff's**
5 **current market risk premium is extremely volatile?**

6 **A.** Changes in Staffs current market risk premium results over time are a reflection of
7 changes in the market's current risk premium rather than instability in Staff's method.
8

9 **Q. Should DPS growth be considered in a DCF analysis?**

10 **A.** Yes. The omission of historical DPS growth in a DCF analysis implies that investors do
11 not take into account dividend growth when pricing stocks. The current market price of a
12 stock is equal to the present value of all expected future dividends, not future earnings.
13

14 **XI. CONCLUSION**

15 **Q. Please summarize Staff's recommendations.**

16 **A.** Staff recommends that the Commission adopt an 8.8 percent WACC for Chaparral City in
17 this proceeding based on capital structure composed of 24.4 percent debt (at 5.0 percent)
18 and 75.6 percent equity (at 10.0 percent).
19

20 Staff further recommends that the Commission adopt a 7.6 percent FVROR for the
21 Applicant, reflecting a 1.2 percent inflation deduction (Accretion Return) from the WACC
22 as shown in Schedule PMC-2.
23

24 **Q. Does this conclude your direct testimony?**

25 **A.** Yes, it does.

²⁸ Kihm, Steven G. "The Superiority of Spot Yields in Estimating Cost of Capital." *Public Utilities Fortnightly*. February 1, 1996. pp. 42-45.

Chaparral City Water Company, Inc.
Capital Structure
And Weighted Average Cost of Capital
Staff Recommended and Company Proposed

(A)	(B)	(C)	(D)
Description	Weight (%)	Cost	Weighted Cost
Staff Recommended Structure			
Debt	24.4%	5.0%	1.2%
Common Equity	75.6%	10.0%	7.6%
Weighted Average Cost of Capital			8.8%
Company Proposed Structure			
Debt	23.4%	5.5%	1.3%
Common Equity	76.6%	10.5%	8.0%
Weighted Average Cost of Capital			9.3%

(D) = (B) x (C)

Supporting Schedules: PMC-2 and PMC-4.

Chaparral City Water Company, Inc.
Inflation Adjustment (Accretion Return) and
Resulting Fair Value Rate of Return

Description		
Weighted Average Cost of Capital	8.8%	¹
Minus: Modified Inflation Adjustment/Accretion Return	-1.2%	²
Fair Value Rate of Return	7.6%	

1: Schedule PMC-1

2: Calculation of Modified Inflation Adjustment/Accretion Return:

20-year Treasury Yield *	4.7%	
20-year Treasury Real Yield *	2.3%	
Return Required by Investors due to Inflation (Accretion Return)	2.5%	
Times a 50% Factor	0.5	⁴
Modified Inflation Adjustment/Accretion Return	1.2%	

3: <http://www.ustreas.gov> as of 8/8/08.

4: Direct Testimony of Mr. Gordon L. Fox.

Chaparral City Water Company, Inc.
Average Capital Structure of Sample Water Utilities

[A]	[B]	[C]	[D]
Company	Debt	Common Equity	Total
American States Water	50.9%	49.1%	100.0%
California Water	43.8%	56.2%	100.0%
Aqua America	55.0%	45.0%	100.0%
Connecticut Water	50.5%	49.5%	100.0%
Middlesex Water	51.5%	48.5%	100.0%
SJW Corp	47.6%	52.4%	100.0%
Average Sample Water Utilities	49.9%	50.1%	100.0%
Chaparral City Water Company, Inc.	24.4%	75.6%	100.0%

Source:

Sample Water Companies from Value Line

Chaparral City Water Company, Inc.
Growth in Earnings and Dividends
Sample Water Utilities

(A)	(B)	(C)	(D)	(E)
Company	Dividends Per Share 1997 to 2007 <u>DPS¹</u>	Dividends Per Share Projected <u>DPS¹</u>	Earnings Per Share 1997 to 2007 <u>EPS¹</u>	Earnings Per Share Projected <u>EPS¹</u>
American States Water	1.5%	4.6%	4.5%	4.8%
California Water	0.9%	0.8%	-2.0%	9.4%
Aqua America	7.2%	7.2%	7.6%	11.1%
Connecticut Water	1.2%	No Projection	0.5%	No Projection
Middlesex Water	1.9%	No Projection	2.6%	No Projection
SJW Corp	4.8%	No Projection	2.7%	No Projection
Average Sample Water Utilities	2.9%	4.2%	3.6% ²	8.4%

¹ Value Line

² Note that the figure -2.0% has been excluded from the calculation. This has been done as negative growth is inconsistent with the DCF model.

Chaparral City Water Company, Inc.
Sustainable Growth
Sample Water Utilities

(A)	(B)	(C)	(D)	(E)	(F)
Company	Retention Growth 1998 to 2007 br	Retention Growth Projected br	Stock Financing Growth vs	Sustainable Growth 1998 to 2007 br + vs	Sustainable Growth Projected br + vs
American States Water	2.8%	5.7%	1.8%	4.5%	7.4%
California Water	1.8%	5.5%	4.5%	6.4%	10.0%
Aqua America	4.5%	5.3%	4.3%	8.8%	9.6%
Connecticut Water	2.6%	No Projection	1.2%	3.8%	No Projection
Middlesex Water	1.3%	No Projection	3.5%	4.7%	No Projection
SJW Corp	4.4%	No Projection	0.1%	4.5%	No Projection
Average Sample Water Utilities	2.9%	5.5%	2.5%	5.4%	9.0%

(B): Value Line

(C): Value Line

(D): Value Line and MSN Money

(E): (B)+(D)

(F): (C)+(D)

Chaparral City Water Company, Inc.
Selected Financial Data of Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]	[G]
Company	Symbol	Spot Price 8/6/2008	Book Value	Mkt To Book	Value Line Beta β	Raw Beta β_{RAW}
American States Water	AWR	37.70	17.62	2.1	1.05	1.04
California Water	CWT	38.16	18.94	2.0	1.15	1.19
Aqua America	WTR	16.48	7.66	2.2	0.95	0.90
Connecticut Water	CTWS	25.50	12.40	2.1	0.85	0.75
Middlesex Water	MSEX	17.88	10.31	1.7	0.90	0.82
SJW Corp	SJW	26.23	13.35	2.0	1.15	1.19
Average				2.0	1.01	0.98

[C]: Market Money

[D]: Value Line

[E]: [C] / [D]

[F]: Value Line

[G]: $(-0.35 + [F]) / 0.57$

Chaparral City Water Company, Inc.
Calculation of Expected Infinite Annual Growth in Dividends
Sample Water Utilities

[A]	[B]
Description	g
DPS Growth - Historical ¹	2.9%
DPS Growth - Projected ¹	4.2%
EPS Growth - Historical ¹	3.6%
EPS Growth - Projected ¹	8.4%
Sustainable Growth - Historical ²	5.4%
Sustainable Growth - Projected ²	9.0%
Average	5.6%

¹ Schedule PMC-8

² Schedule PMC-8

Chaparral City Water Company, Inc.
Multi-Stage DCF Estimates
Sample Water Utilities

(A)	(B)	(C)	(D)	(E)	(F)	(H)	(I)
Company	Current Mkt. Price (P ₀) ¹ 8/8/2008	Projected Dividends ² (Stage 1 growth) (D _t)			Stage 2 growth ³ (g _a)		Equity Cost Estimate (K) ⁴
		d ₁	d ₂	d ₃	d ₄		
American States Water	37.7	1.04	1.10	1.16	1.23	6.7%	9.4%
California Water	38.2	1.20	1.27	1.34	1.42	6.7%	9.8%
Aqua America	16.5	0.53	0.56	0.59	0.62	6.7%	9.8%
Connecticut Water	25.5	0.92	0.97	1.03	1.08	6.7%	10.2%
Middlesex Water	17.9	0.73	0.77	0.81	0.86	6.7%	10.7%
SJW Corp	26.2	0.66	0.70	0.74	0.78	6.7%	9.2%

Average 9.8%

$$P_0 = \sum_{t=1}^n \frac{D_t}{(1+K)^t} + \frac{D_n(1+g_n)}{K-g_n} \left[\frac{1}{(1+K)^n} \right]$$

Where: P₀ = current stock price

D_t = dividends expected during stage 1

K = cost of equity

n = years of non -- constant growth

D_n = dividend expected in year n

g_n = constant rate of growth expected after year n

¹ [B] see Schedule PMC-7

² Derived from Value Line Information

³ Average annual growth in GDP 1975 - 2005 in current dollars.

⁴ Internal Rate of Return of Projected Dividends

Chaparral City Water Company, Inc. Capitalization					
	<u>Interest Rate</u>	<u>Annual Interest</u>	<u>Amount outstanding as of 6/30/2008</u>	<u>Percentage of Capital Structure</u>	
Long-Term Debt					
Bonds due 2011	5.2%	\$ 52,000	\$ 1,000,000		
Bonds due 2022	5.4%	\$ 248,940	4,610,000		
Bonds due 2022	5.3%	\$ 51,675	975,000		
Long-Term Debt	5.4%	352,615	\$ 6,585,000	18.6%	
Short-Term Debt	3.8%	78,857	2,050,000		
Short-Term Debt	3.8%	78,857	\$ 2,050,000	5.8%	
Total Debt	5.0%	\$ 431,472	\$ 8,635,000.00	24.4%	
Common Equity					
Common Shares Outstanding			4,603,000		
Paid in Capital			14,950,000		
Retained Earnings			7,137,000		
Total Common Equity			\$ 26,690,000	75.6%	
Total Capitalization			\$ 35,325,000	100.0%	

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7 Attorneys for Chaparral City Water Company

8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9
10 IN THE MATTER OF THE
11 APPLICATION OF CHAPARRAL
12 CITY WATER COMPANY, INC., AN
13 ARIZONA CORPORATION, FOR A
14 DETERMINATION OF THE FAIR
15 VALUE OF ITS UTILITY PLANT
16 AND PROPERTY AND FOR
17 INCREASES IN ITS RATES AND
18 CHARGES FOR UTILITY SERVICE
19 BASED THEREON.

DOCKET NO: W-02113A-07-_____

20
21 **DIRECT TESTIMONY OF**
22 **ROBERT N. HANFORD**
23
24
25
26

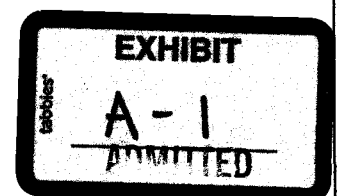


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V. WELL EXCHANGE PAYMENT FROM THE FOUNTAIN HILLS SANITARY DISTRICT.....	9

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1 **I. INTRODUCTION, PURPOSE OF TESTIMONY AND SUMMARY.**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. Robert N. Hanford, 12021 N. Panorama Dr., Fountain Hills, Arizona, 85268.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Chaparral City Water Company ("CCWC" or the "Company")
6 as its District Manager.

7 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS DISTRICT**
8 **MANAGER.**

9 A. I am generally responsible for managing day-to-day operations, including capital
10 budget planning, water system operations and maintenance, customer service and
11 community relations, and compliance with local, state and federal requirements
12 pertaining to water quality and water supply, and Corporation Commission
13 compliance.

14 **Q. WHAT WAS YOUR WORK HISTORY BEFORE JOINING THE**
15 **COMPANY?**

16 A. Prior to becoming CCWC's District Manager in 2002, I served as a manager of
17 Engineering and Planning for Southern California Water Company, which, like
18 CCWC, is a subsidiary of American States Water Company ("American States").
19 Prior to that, I worked for several engineering firms that specialized in public
20 works design, construction management and financing, and served as District
21 Engineer for the Tahoe City Public Utility District, which provides both water and
22 wastewater utility services.

23 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.**

24 A. I obtained a Bachelor of Science degree in Civil Engineering from the University
25 of Nevada - Reno in 1978, and an MBA degree with an emphasis in management
26 from the University of Santa Clara in 1985.

1 Q. DO YOU HAVE ANY ADDITIONAL TRAINING, LICENSING OR
2 CERTIFICATIONS?

3 A. I have been registered as a professional civil engineer in California since 1981 and
4 in Nevada since 1983. I currently have a D3 water operator certification from the
5 Arizona Department of Environmental Quality (ADEQ).

6 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
7 PROCEEDING?

8 A. To support CCWC's application for rate relief. First, I will provide background on
9 the Company and its operations. Next, I will address three specific issues—(1) the
10 acquisition of an additional allocation of CAP water; (2) the reduced use of potable
11 water supplies on golf courses in our CC&N; and (3) the Company's settlement
12 with the Fountain Hills Sanitary District.

13 Q. ARE THERE ANY ATTACHMENTS TO YOUR DIRECT TESTIMONY?

14 A. Yes, attached to my testimony as Hanford Direct Exhibit 1 is an ADEQ/MCESD
15 compliance status report showing that the Company is in compliance with all
16 drinking water requirements. An inventory of the Company's major plant in
17 service and the amount of water sold during the test year have been taken from the
18 Company's annual report filed with the Commission and are attached as Hanford
19 Direct Exhibit 2.

20 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE ARIZONA
21 CORPORATION COMMISSION?

22 A. Yes.

23 **II. OVERVIEW OF CHAPARRAL CITY WATER COMPANY.**

24 Q. IN YOUR CAPACITY AS DISTRICT MANAGER, ARE YOU FAMILIAR
25 WITH CHAPARRAL CITY'S OPERATIONS IN ARIZONA?

26 A. Yes, I am generally familiar with all aspects of the Company's operations.

1 **Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY?**

2 A. CCWC's service area is located in the northeastern portion of the Phoenix
3 metropolitan area, in the Town of Fountain Hills and a small portion of the City of
4 Scottsdale. This area is within the Phoenix Active Management Area, which has
5 been created by the Arizona Groundwater Code. As a result, the Company is
6 subject to certain water conservation requirements imposed by the Third
7 Management Plan, adopted by the Arizona Department of Water Resources in
8 order to reduce groundwater pumping.

9 At the present time, Chaparral City serves approximately 13,500 customers,
10 less than 40 new customers have been added in 2007. Most of our customers are
11 residential, but we do serve a number of commercial, industrial and irrigation
12 customers.

13 **Q. WHERE DOES THE COMPANY GET ITS WATER?**

14 A. The Company's primary water supply is imported Colorado River water, which is
15 delivered by means of the Central Arizona Project ("CAP"). This water is
16 transported to the Company's service territory, and, because it is surface water, it
17 must be treated before being used for potable water service. The Company also
18 uses groundwater to augment its CAP water deliveries.

19 **Q. WHEN DID THE CURRENT RATES GO INTO EFFECT?**

20 A. The Company's current rates were approved in Decision No. 68176 (September 30,
21 2005) based on a test year ending December 31, 2003.

22 **Q. WHY IS THE COMPANY SEEKING A RATE INCREASE AT THIS TIME?**

23 A. CCWC is continuing to experience increases in operating expenses. We are also
24 continuing to make plant investment—over \$6 million of rate base has been added
25 since the last rate case. As shown in Mr. Bourassa's testimony, the return earned
26 on fair value rate base using test year adjusted revenues was only 2.77%. Bourassa

1 Direct Testimony (Rate Base, Income Statement, Revenue Requirement, Rate
2 Design) (hereinafter "Bourassa DT") at 3 lns 18-19. Even without adjustment, the
3 test year return was under 5%. This is inadequate.

4 **Q. WHAT DO YOU MEAN, MR. HANFORD?**

5 A. I am expressing the shareholder's frustration with both the Company's authorized
6 return and the opportunity to earn that return. American States is a publicly traded
7 entity serving more than 250,000 water utility customers in California. As such,
8 American States has a number of investment opportunities besides investing in
9 CCWC. In California, American States is experiencing returns significantly higher
10 than the 9.3% return on equity authorized in CCWC's last rate case. Additionally,
11 California utility regulators do not use historical test years and use adjustment
12 mechanisms and balancing accounts to help ensure that the utilities have an
13 adequate opportunity to earn their authorized returns.

14 In contrast, in Arizona, we face substantial regulatory lag, due to both the
15 historic test year and the length of time it takes to prosecute rate cases. To make
16 matters worse, the Commission will not approve adjustment mechanisms and
17 balancing accounts that help preserve the utility's opportunity to earn its authorized
18 revenues. These factors, coupled with the Commission's ongoing efforts to keep
19 rates as low as possible, lead to the frustration American States feels with its
20 investment in Arizona.

21 **Q. DO THE LOW RETURNS HAVE AN IMPACT ON INVESTMENT?**

22 A. Yes. The poor returns being earned by the Company increase the risk that capital
23 projects will be deferred or scaled back. Specific projects being deferred include
24 the construction of new backwash clarifier to improve the solids handling
25 capability of the Shea Water Treatment Plant, which was originally included in
26 CCWC's 2007 capital budget in the amount of \$1.2 million.

1 **III. ACQUISITION OF ADDITIONAL CAP WATER ALLOCATION.**

2 **Q. HAS THE COMPANY BEEN GIVEN AN OPPORTUNITY TO ACQUIRE**
3 **AN ADDITIONAL ALLOCATION OF CAP WATER?**

4 A. Yes. The *Arizona Water Settlement Act* was signed into law by President Bush on
5 December 10, 2004. There are three main components to the 800-plus page
6 legislation, which legislation resolves long-standing and contentious water rights
7 issues in the Southwest, only one of which directly involves CCWC. Under the
8 Act, CCWC has an opportunity to purchase an additional Central Arizona Project
9 (CAP) allocation of 1,931 ac-ft/year.

10 **Q. IS THE AMOUNT FIXED AT 1,931 ACRE-FEET PER YEAR?**

11 A. Yes, this allocation is not divisible; it can only be acquired in its entirety.
12 Additionally, in order for the Company to purchase this additional allocation,
13 CCWC must compensate CAWCD for retro-active capital fees that accrued to this
14 allocation. If the required fees are not paid by CCWC by January 2008, the
15 opportunity to obtain this additional allocation will be lost.

16 **Q. WHAT IS THE AMOUNT DUE?**

17 A. The cost of the allocation to CCWC will be \$1,280,000 if the Company pays a
18 lump-sum payment. The other alternative is a 5-year payment plan whereby the
19 Company will pay \$282,000 annually for a total cost of \$1,410,000.

20 **Q. WHICH PAYMENT PLAN WILL THE COMPANY FOLLOW?**

21 A. The Company intends to make the lump-sum payment before the end of this year.

22 **Q. WHY IS THE COMPANY PURCHASING THE ADDITIONAL CAP**
23 **WATER?**

24 A. To improve the long-term security of water supplies for our customers. This
25 additional allocation will allow CCWC to reinforce and continue its reliance on a
26 renewable supply of surface water. In the Phoenix AMA, and throughout the State,

1 reduced reliance on groundwater remains a primary goal. *See, e.g.,* ARS § 45-401.
2 In addition, the additional allocation acts as a drought buffer should continuing
3 drought conditions in the southwest continue, and should water deliveries from the
4 CAP to municipal and industrial users ever be curtailed. The larger the Company's
5 allocation the more water it will get if supplies are rationed.

6 **Q. HOW DOES THE COMPANY PROPOSE TO RECOVER THE COST OF**
7 **THE ADDITIONAL ALLOCATION?**

8 A. There are three separate charges associated with the additional CAP allocation:
9 (1) the cost of the allocation itself, which I discussed above; (2) the annual capital
10 service charges--these are amounts we pay whether or not we use any of the
11 additional allocation; and (3) the cost of any additional water actually purchased.

12 The \$1.28 million cost of the allocation is what we are requesting be
13 included in rate base. The annual water service charge, has been included in the
14 Company's operating expenses. However, no cost of the water itself has been
15 included in the revenue requirement in this case. Mr. Bourassa discusses the
16 specifics of these adjustments in his direct testimony. Bourassa DT at 11.

17 **Q. WHY DOES CCWC BELIEVE RATE BASE TREATMENT IS**
18 **APPROPRIATE FOR THE \$1.28 MILLION COST OF ACQUIRING THE**
19 **ADDITIONAL ALLOCATION OF CAP WATER?**

20 A. As explained above, the opportunity to acquire this additional cap water is an all-
21 or-nothing proposition. CCWC does not have the flexibility to acquire a portion of
22 the 1931 acre-foot, nor the option to buy some additional CAP water now and more
23 later. In that sense, the acquisition of the additional CAP allocation is analogous to
24 many large scale capital project investments. Often, capital projects are sized
25 based on engineering standards or forecasted demand, or the ability to add
26 additional plant at a lower incremental cost. In other words, plant investment is not

1 simply about fulfilling immediate needs.

2 This means that the choice for CCWC is simple: If we want the CAP water
3 to ensure the long-term security of the Company and the ratepayers, we have to
4 buy the full allocation now. There is no other way, and once it is acquired we have
5 to pay the annual water service charge price every year. This also means that the
6 critical questions for this Commission to answer are (1) whether it supports the
7 policy of the State to conserve and protect groundwater resources; and (2) whether
8 the long term interests of CCWC's customers are best served by the acquisition of
9 the 1,931 acre-feet of additional surface water supplies. If the Commission
10 answers yes to either of these questions, I respectfully suggest the ratemaking
11 treatment we are seeking is reasonable.

12 Q. WHAT IF THE COMMISSION DOES NOT AUTHORIZE FULL COST
13 RECOVERY OF THE COSTS OF THE ADDITIONAL CAP ALLOCATION
14 IN THIS RATE CASE?

15 A. The Company will have a choice. It can retain the allocation and look for entities
16 that wish to enter into wholesale water delivery arrangements. Or, it can exchange
17 or relinquish the additional allocation and get its acquisition payment back. Of
18 course, if the Commission denies full cost recovery, then the Company expects to
19 retain all revenues from bulk sales of the CAP water. American States is not a
20 charity and if it makes an investment it expects a return on that investment.

21 IV. IRRIGATION RATES AND REDUCED USE OF GROUNDWATER BY
22 GOLF COURSES.

23 Q. DO YOU HAVE ANY CONCERNS WITH THE RATE DESIGN
24 APPROVED IN THE LAST RATE CASE?

25 A. Yes. Although we have not asked that the general rate design be changed in this
26 proceeding, there is one apparent anomaly that should be corrected. While the

1 Company's rate design is based on the idea that larger users pay more for water in
2 order to encourage conservation, there is a disparity between what our irrigation
3 customers pay relative to what our commercial and residential customers pay for
4 exactly the same water. The current commodity charge for a 3/4" meter using in
5 excess of 9,000 gallons monthly is \$3.03 per thousand gallons, while the irrigation
6 commodity charge regardless of meter size is only \$1.56 per thousand gallons. Mr.
7 Bourassa has corrected this in his proposed rate design and schedules. Bourassa
8 DT at 23.

9 **Q. DOES THE COMPANY PROVIDE WATER SERVICE TO GOLF**
10 **COURSES WITHIN IN ITS CC&N?**

11 A. Yes, we have several golf course customers. In the last rate case, the Commission
12 ordered the Company to take steps to increase customer use of effluent and reduce
13 reliance on groundwater to supply water to golf courses, ornamental lakes and
14 other aesthetic water features. Decision 68176 at 45. The Company's filing in
15 compliance with this requirement was made September 19, 2006.

16 **Q. HAS USE OF POTABLE WATER BY GOLF COURSES BEEN REDUCED?**

17 A. Yes. Historically, three of the four golf courses (Sunridge Canyon, Fire Rock and
18 Eagle Mountain) within CCWC's service area received both a mix of potable water
19 from CCWC and treated sewage effluent ("effluent") from the Fountain Hills
20 Sanitary District ("FHSD"). The effluent was transported to the golf courses in a
21 network of underground pipelines, booster stations and storage ponds that were
22 open to the atmosphere. With prolonged exposure to the atmosphere, the quality of
23 the effluent stored in ponds and other water features would degrade over time and
24 make it less desirable to use by the Eagle Mountain and Fire Rock golf courses.

25 **Q. WHAT CHANGED?**

26 A. Beginning in September 2006, the FHSD completed and made operational a new

1 pumping and underground effluent storage facility that replaced the largest of their
2 existing storage ponds. This dramatic improvement in water quality, combined
3 with the higher price of CCWC's water, has led Eagle Mountain and Fire Rock to
4 change their supply mix. These two golf courses are now relying almost entirely
5 on effluent to meet their irrigation needs.

6 **Q. WHAT IS FHSD'S PRICE FOR EFFLUENT?**

7 A. FHSD has a fixed rate for effluent equal to 75% of CCWC's current commodity
8 irrigation rate.

9 **Q. HOW DOES THE COMPANY ACCOUNT FOR THE REDUCED**
10 **REVENUES FROM GOLF COURSES IN THIS RATE CASE?**

11 A. Mr. Bourassa has made a pro forma adjustment to test year revenues to account for
12 the significant reduction in water being purchased by golf courses, and the
13 resulting reduction in revenue. See Bourassa DT at 17.

14 **V. WELL EXCHANGE PAYMENT FROM THE FOUNTAIN HILLS**
15 **SANITARY DISTRICT.**

16 **Q. DID THE COMPANY RECEIVE A PAYMENT FROM THE FHSD**
17 **DURING THE TEST YEAR?**

18 A. No, but it did receive a \$1.52 million settlement in February 2005 from the FHSD.

19 **Q. WHY DID FHSD MAKE THIS SETTLEMENT PAYMENT?**

20 A. Prior to October 2000, the then current owner of the system, MCO Properties
21 ("MCO"), began discussions with the FHSD regarding the status of CCWC's well
22 #9. Well #9 had historically been used as a source of water for CCWC. The
23 District needed a means of storing and retrieving treated sewage effluent from their
24 tertiary advanced wastewater treatment plant. Typically, effluent is stored by
25 pumping into an aquifer during the winter and withdrawn and distributed to golf
26 courses and parks located within Fountain Hills during the remainder of the year.

1 The District needed to drill an additional Aquifer Storage and Recovery (ASR)
2 well in the vicinity of CCWC's well #9. Aware that this new well could have an
3 impact on well #9, the District and MCO entered into negotiations on a well
4 exchange agreement. The key provision of this is that the District would supply a
5 new well similar in production and water quality to well #9. Well #9 was to be
6 taken off-line and physically isolated from the system when the new ASR well
7 came online.

8 **Q. DID THE DISTRICT COMPLETE A REPLACEMENT WELL?**

9 A. No, FHSD was unable to drill a well that yielded results satisfactory to the
10 Company. With well #9 not available for production and the likelihood of drilling
11 a matching well minimal, CCWC and FHSD agreed to CCWC being compensated
12 for an equivalent cost of water to replace that amount well #9 would have produced
13 over the remainder of its useful life. An impartial consultant, Carollo Engineers
14 prepared the study which was reviewed, commented and then approved by both
15 parties. Owing to the expenses the District had incurred to date to drill a
16 replacement well, approximately \$600,000, the figure of \$1.52 million was agreed
17 to by both parties. This was essentially a settlement we reached in order to avoid
18 an expensive and protracted dispute between cooperative utility providers.

19 **Q. WAS THERE A WRITTEN AGREEMENT?**

20 A. Yes, a Well Transfer Agreement was executed in January 2005. Under the
21 agreement, CCWC agreed to cease use of two of its wells, the previously described
22 well #9, and well #8, which was never used as a potable source of water. The
23 Company also gave the FHSD an option to purchase the real property,
24 approximately 10,000 square feet, on which well #8 is located. In consideration for
25 all of this, the FHSD paid the Company the \$1.52 million.
26

1 Q. WHAT RATEMAKING TREATMENT DOES CCWC PROPOSE FOR
2 THIS SETTLEMENT PAYMENT?

3 A. We propose to split the proceeds with our ratepayer on an equal basis. We
4 understand this is consistent with other Commission decisions. Mr. Bourassa
5 discusses how this is accomplished in his direct testimony. Bourassa DT at 11.

6 Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

7 A. Yes.

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HANFORD DIRECT EXHIBIT 1



Maricopa County
Environmental Services Department

PUBLIC WATER SYSTEM COMPLIANCE STATUS REPORT

System Name: Chaparral City Water Co.
PWS ID#: 07-017

Type of System: Community Number of POE's: 3 Surface Water: yes
Number of Service Connections: 12550 Population Served: 24219

Assigned Monitoring Dates - Initial: 1/1/94 Phase II: 1/1/94 Phase V: 1/1/94

Does the water system have a Certified Operator? yes

Does the system have major treatment plant deficiencies? no
Please describe: _____

Date of last inspection: December 23, 2005

Does the system have major O & M deficiencies? no
Please describe: System should update Microbiological Site Sampling Plan to include recent changes to total coliform monitoring schedules and locations (this is not considered a violation)

Does the system have water quality monitoring/reporting deficiencies? yes
Please describe: System did not submit 2007 1st quarter HAA5 results. System stated that public notice will be included in 2007 Consumer Confidence Report. System should resubmit missing 2006 monitoring data which was previously sent to ADEQ

General Public Water System Compliance Status? Substantial Compliance

Date of compliance review: 8/21/07 By: Laura Moorhead Initials: _____
Phone: (602) 506-6631

Requested By: _____ Fax Number/ Contact: _____ Tracking Number: _____
Supervisor Initials: _____ Date: _____

Drinking Water Program
John Kolman, Manager

1001 N. Central Ave., Suite 150 Phoenix, Arizona 85004-1940 Phone: (602) 506-6666 Fax: (602) 506-6925

HANFORD DIRECT EXHIBIT 2

COMPANY NAME: Chaparral City Water Company

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-604784(not in service)	125	1500	725	10 3/4	8	1970
55-604785(not in service)	250	1180	765	350-20/415-16	10	1970
55-604786	350	1700	738	450-20/288-16	10	1972
55-604787	250	1100	768	300-20/468-16	10	1972

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
CAP Water Treatment Plant I	3,470	0
CAP Water Treatment Plant II	10,417	2,389,948
Well #10 and #11	2,800	84,590

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
40	4	1,540	n/a
60	2		
75	8		
100 & 125	3		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
3.5	1	10,000	2
1.5	1	5,000	4

1.25	4	3,000	2
0.5 or less	2		

COMPANY NAME: Chaparral City Water Company

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4		57,344
5		
6		488,610
8		217,628
10		4,050
12		132,124
16		30,045
18		27,613

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	
3/4	8,587
1	4,382
1 1/2	162
2	163
Comp. 3	39
Turbo 3	
Comp. 4	9
Tubo 4	
Comp. 6	3
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

STRUCTURES:

OTHER:

COMPANY NAME: Chaparral City Water Company

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2006

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED & Purchased (Thousands)
JANUARY	13,052	151,360	171,093
FEBRUARY	13,074	140,780	170,693
MARCH	13,106	132,320	169,197
APRIL	13,129	165,342	204,828
MAY	13,118	175,592	256,017
JUNE	13,222	239,917	268,577
JULY	13,246	232,213	252,889
AUGUST	13,257	182,504	218,532
SEPTEMBER	13,297	177,931	201,340
OCTOBER	13,317	154,327	224,290
NOVEMBER	13,328	181,812	177,767
DECEMBER	13,345	146,115	159,100
TOTAL		2,080,213	2,474,323

Is the Water Utility located in an ADWR Active Management Area (AMA)?

(X) Yes () No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

(X) Yes () No

If yes, provide the GPCPD amount: 128

What is the level of arsenic for each well on your system. Well #10= 9.3mg/l
Well #11=10.0 mg/l

(If more than one well, please list each separately.)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

1 FENNEMORE CRAIG, P.C.
2 Norman D. James (No. 006901)
3 Jay L. Shapiro (No. 014650)
4 3003 N. Central Ave.
5 Suite 2600
6 Phoenix, Arizona 85012
7 Attorneys for Chaparral City Water Company

8
9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10 IN THE MATTER OF THE APPLICATION
11 OF CHAPARRAL CITY WATER
12 COMPANY, INC., AN ARIZONA
13 CORPORATION, FOR A
14 DETERMINATION OF THE FAIR VALUE
15 OF ITS UTILITY PLANT AND
16 PROPERTY AND FOR INCREASES IN
17 ITS RATES AND CHARGES FOR
18 UTILITY SERVICE BASED THEREON.

DOCKET NO: W-02113A-07-0551

19 **REBUTTAL TESTIMONY**
20 **OF**
21 **ROBERT N. HANFORD**

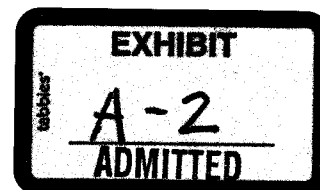


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1 **I. INTRODUCTION, PURPOSE OF TESTIMONY.**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. Robert N. Hanford, 12021 N. Panorama Dr., Fountain Hills, Arizona, 85268.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Chaparral City Water Company ("CCWC" or the "Company")
6 as its District Manager.

7 **Q. DID YOU PREVIOUSLY PROVIDE TESTIMONY ON BEHALF OF THE**
8 **COMPANY IN THIS CASE?**

9 A. Yes, my direct testimony was filed in September, 2007, with the Company's
10 application. I also provided testimony in September, 2008, in support of
11 Company's motion for approval of interim rates.

12 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

13 A. To further support Chaparral City's application for rate relief by responding to
14 certain aspects of the direct testimony of Utilities Division Staff ("Staff") and
15 RUCO. Specifically, I have reviewed the filings made by RUCO and Staff and in
16 my rebuttal will discuss (1) the Company's settlement with Fountain Hills Sanitary
17 District ("FHSD"); (2) our recent acquisition of an additional CAP allocation;
18 (3) removal of certain wells and treatment facilities from rate base; (4) expense
19 "normalization"; (5) rate case expense; and (6) reduced revenues from water sales
20 to golf courses. Because Mr. Bourassa also addresses each of these issues, where
21 appropriate, I have also included citation to his rebuttal testimony on these
22 subjects.

23 **II. SETTLEMENT WITH FOUNTAIN HILLS SANITARY DISTRICT.**

24 **Q. PLEASE SUMMARIZE THE CIRCUMSTANCES THAT GAVE RISE TO**
25 **THE SETTLEMENT WITH FHSD?**

26 A. The activities of FHSD threatened to impair two of the Company's wells, Well No.

1 8 and Well No. 9. When FHSD was unable to provide replacement water sources,
2 a settlement was negotiated and a settlement payment was collected by CCWC. I
3 provided a more detailed discussion of the background in my direct testimony
4 ("Hanford Dt.") at 9-11.

5 **Q. WHAT WOULD HAVE HAPPENED IF CCWC AND FHSD DID NOT**
6 **REACH A SETTLEMENT?**

7 A. I believe we would have had to litigate with the local sewer utility service provider
8 or simply live with their impairment of our assets.

9 **Q. HOW DID THE COMPANY PROPOSE TO TREAT THE PROCEEDS**
10 **FROM THE SETTLEMENT?**

11 A. I will leave it to Mr. Bourassa to explain the specifics of the accounting and
12 ratemaking treatment. Direct Testimony of Thomas J. Bourassa ("Bourassa Dt.")
13 at 10 & 18; Rebuttal Testimony of Thomas J. Bourassa (Rate Base, Income
14 Statement, Revenue Requirement, Rate Design) ("Bourassa Rb.") at 13. In simple
15 terms, we believe that the proceeds should be treated in a manner that shares the
16 benefit equally between the Company and its customers, and that is how we have
17 treated these proceeds on our books and in our audited financial statements. We
18 believe this is fair, and we also understood it was consistent with past treatment of
19 settlement proceeds in Commission proceedings.

20 **Q. ARE YOU AWARE OF STAFF'S RECOMMENDATION TO RECOGNIZE**
21 **THE PROCEEDS IN A MANNER THAT SOLELY BENEFITS THE**
22 **RATEPAYERS?**

23 A. Yes, I have reviewed Mr. Millsap's testimony. We do not agree with his
24 recommendation.

25 **Q. WHY DOES THE COMPANY DISAGREE WITH STAFF'S**
26 **RECOMMENDATION?**

1 A. Again, I will leave it to Mr. Bourassa to address the ratemaking implications of
2 Staff's recommendation. Bourassa Rb. at 13-15. The Company's perspective is
3 straight-forward—why would CCWC ever pursue litigation or settlement against a
4 third-party that impairs our assets if there is no benefit to the utility? The answer
5 is—we wouldn't, and I suspect any other utility would share a similar view. There
6 is too much risk. Instead, in circumstances like the FHSD settlement, we would be
7 better off shutting down the impaired assets, replacing them and basically starting
8 all over. That is the decision we would be forced to make in the future if Staff's
9 treatment of the settlement proceeds was adopted by the Commission. We have an
10 obligation to our customers, but also to our shareholders. I believe the
11 Commission should strike the same balance.

12 **Q. IS MR. MILLSAP CORRECT THAT CCWC NEVER SOLD THE WELLS?**

13 A. Yes, we still own the wells, so I guess characterizing it as a "gain on sale" is not
14 technically correct. I understand that the Company has actually recorded the
15 settlement proceeds as a "gain on settlement for removal of wells" in the 2005
16 Audit Report. Bourassa Rb. at 13. I assume the income to CCWC had to be
17 characterized in some manner, but I cannot imagine how this sort of
18 characterization would support Staff's position that the Company should receive no
19 benefit from the settlement.

20 **Q. COULD CCWC STILL SELL THE TWO WELLS?**

21 A. In theory, yes. But I don't see much of a market for Well #8 which is a small
22 60 x 60 foot parcel in the middle of a condo complex or Well No. 9, which is an
23 impaired well on a third of an acre parcel right next to a strip center where the
24 buyer would also have to have an independent right to pump these wells in an
25 Active Management Area. That said, if we did find someone to buy our assets, I
26 don't see why that "gain on sale" couldn't be shared equally with ratepayers, just

1 like we propose for the settlement proceeds. We really thought we were trying to
2 be fair with our proposal.

3 **Q. WHAT ABOUT MR. MILLSAP'S TESTIMONY THAT YOU MADE A**
4 **MANAGEMENT DECISION TO REMOVE THE WELLS FROM**
5 **SERVICE?**

6 A. On page 5 of his direct testimony Mr. Millsap incorrectly states that both Wells #8
7 and #9 were removed from service as part of the FHSD settlement. Well #8 was
8 historically used only as a raw water source for irrigating Fountain Park and
9 providing water to Fountain Lake. Well #9 was impaired and taken offline due to
10 its proximity to one of the FHSD's aquifer storage and recovery wells ("ASR").
11 All of this was handled in a cooperative and amicable negotiation process between
12 and FHSD and CCWC, with both parties choosing to avoid the time and expense of
13 litigation.

14 **Q. WHAT ABOUT MR. MILLSAP'S TESTIMONY THAT CCWC REPLACED**
15 **THE WATER FROM THE IMPAIRED WELLS WITH CAP WATER. IS**
16 **THIS CORRECT?**

17 A. This testimony is not quite accurate. Millsap Dt. at 13. The settlement proceeds
18 were used solely for backbone water infrastructure projects.

19 **Q. WHAT ABOUT MR. MILLSAP'S CLAIM THAT THE COMPANY WAS**
20 **ALREADY COMPENSATED BY RATEPAYERS FOR THE TWO WELLS?**

21 A. It seems to me like Mr. Millsap is claiming that the customers own our assets.
22 They don't. CCWC bought and paid for the assets in full and through the
23 ratemaking process it received a return on and of that capital investment.

24 **Q. DO YOU HAVE ANYTHING ELSE TO ADD REGARDING THE**
25 **RATEMAKING TREATMENT TO BE AFFORDED THE PROCEEDS**
26 **FROM SETTLEMENT WITH FHSD, MR. HANFORD?**

1 A. Just to reiterate that we believe our proposed sharing of the settlement proceeds is
2 fair, and that since the proceeds have already been treated this way, a change would
3 further burden CCWC, adding insult to injury because it would require the
4 Company and its parent to issue restated financials.

5 **III. ACQUISITION OF ADDITIONAL CAP ALLOCATION.**

6 **Q. STAFF HAS RECOMMENDED A DIFFERENT RATEMAKING**
7 **TREATMENT FOR THE COMPANY'S RECENTLY ACQUIRED**
8 **ADDITIONAL CAP ALLOCATION. DOES CCWC AGREE TO STAFF'S**
9 **RECOMMENDATION?**

10 A. Yes, as explained by Mr. Bourassa in his rebuttal testimony. Bourassa Rb. at 6 &
11 29.

12 **Q. RUCO RECOMMENDS NO RECOVERY OF ANY OF THE COSTS**
13 **RELATED TO THE ADDITIONAL CAP ALLOCATION. HOW DO YOU**
14 **RESPOND?**

15 A. RUCO's witness, Mr. Coley, claims that the additional CAP allocation is "not
16 currently used and useful". Coley Dt. at 20. But RUCO's view of what constitute
17 "used and useful" plant is far too narrow and inconsistent with the realities of
18 running a water utility.

19 **Q. PLEASE EXPLAIN WHAT YOU MEAN?**

20 A. I think it is important to remember the historical perspective on this matter. The
21 additional allocation was made available to CCWC as part of the *Arizona Water*
22 *Settlement Act*, an 800 plus page piece of federal legislation that resolved decades
23 of contentious water issues between states and Indian tribes. All parties who
24 received additional CAP allocations under the act were made aware that this was a
25 one-time, take-it-or-leave-it proposition that would never again be made available
26 to CAP subcontractors.

1 With this in mind we considered this acquisition of an additional renewable
2 water supply to also be like an insurance policy. Currently, Southern California is
3 facing curtailments in its surface water supplies due to ongoing dry water years and
4 lack of Sierra snow pack. At the same time, Nevada is spending billions of dollars
5 to import water from Eastern Nevada and to lower its Colorado River intakes.
6 These two "elephants" in the room cannot be ignored when we discuss western
7 water supply from the Colorado River, as the State of Arizona could also be
8 impacted by these events in the future. From CCWC's direct perspective, the
9 additional CAP allocation provides us with a drought buffer both from interstate
10 and intrastate demand for Colorado River supply.

11 **Q. CAN YOU RECONCILE RUCO'S POSITION WITH THE INTERESTS OF**
12 **THE COMPANY AND ITS RATEPAYERS?**

13 A. No, I can't. Amazingly, it does not appear that RUCO can either. In response to
14 data requests from the Company, RUCO admitted that it is in the public interest to
15 reduce groundwater use in our service territory, that we should take steps to ensure
16 the long-term security of our water resources, that the additional allocation would
17 increase the amount of water we can obtain in times of curtailment, and that it
18 would be contrary to our customers' interests to not have this additional allocation.
19 If RUCO agrees that we have acted in a manner that benefits our customers and the
20 public interest at-large, I do not see how they can recommend that we be denied
21 any recovery of the cost of obtaining this beneficial asset.

22 **Q. BUT MR. HANFORD, ISN'T RUCO JUST SAYING THAT ALTHOUGH**
23 **YOU ACTED TO BENEFIT THE CUSTOMERS, THIS ISN'T THE TIME**
24 **FOR RECOVERY THROUGH RATES?**

25 A. That seems to be the gist of RUCO's position. But RUCO's position ignores that
26 we had one opportunity to purchase an additional allocation in a fixed amount,

1 facts RUCO has also admitted in response to data requests. RUCO also ignores
2 business reality—CCWC's shareholder has experienced a steadily declining return
3 on its investment in Arizona and is not likely to retain an asset indefinitely if it is
4 not recovering the costs of its investment in any manner. The Company's
5 shareholder is not a charity in business to subsidize our ratepayers.

6 **Q. WHAT CAN CCWC DO WITH THE ADDITIONAL ALLOCATION IF IT**
7 **IS NOT ALLOWED ANY COST RECOVERY?**

8 A. We would either relinquish the asset back to CAWCD and obtain a refund of our
9 \$1.28 million acquisition cost, or we would find some use of the water, consistent
10 with Arizona law and our contract with CAWCD, but likely outside of the
11 regulatory framework. Either way, this will mean that such water will no longer be
12 available to the benefit of our ratepayers. This also means, in my view, that given
13 all of the circumstances, the additional allocation is "currently used and useful".

14 **IV. REMOVAL OF PLANT FROM RATE BASE.**

15 **Q. BOTH STAFF AND RUCO RECOMMEND ADJUSTMENTS TO REMOVE**
16 **WELL NO. 8 AND WELL NO. 9, AND THE SHEA WATER TREATMENT**
17 **FACILITY NO. 1 FROM RATE BASE. DOES THE COMPANY AGREE**
18 **THAT THESE FACILITIES ARE NO LONGER IN SERVICE?**

19 A. Yes. Well #9 was removed from service for the reasons explained above in my
20 testimony regarding the settlement with FHSD. And though Well #8 could, in
21 theory, be brought back on line we have no current plans to do so. The Shea Water
22 Treatment Facility No. 1 was removed from service in 2005 when it became
23 impractical and no longer cost effective to maintain the outdated technology
24 necessary to keep it available as a back-up.

25 **Q. WHY DIDN'T THE COMPANY REMOVE THESE ASSETS FROM ITS**
26 **RATE BASE BEFORE MAKING THIS RATE FILING?**

1 A. It was an oversight.

2 V. STAFF AND RUCO NORMALIZATION OF EXPENSES.

3 Q. STAFF HAS MADE ADJUSTMENTS TO "NORMALIZE" CHEMICAL
4 AND REPAIRS/MAINTENANCE EXPENSE. DO YOU HAVE ANY
5 COMMENT ON STAFF'S RECOMMENDED ADJUSTMENTS?

6 A. Yes. Again, I will leave the ratemaking specifics to Mr. Bourassa. Bourassa Rb. at
7 31-32. For my part, I simply cannot understand how Staff can use 2004 and 2005
8 expense levels to determine operating expenses that we will be incurring in 2009
9 and beyond. These expense levels are 5 and 4 years removed from the period when
10 we will begin to recover these expenses through rates.

11 Q. WHY WERE CCWC's CHEMICAL AND REPAIRS/MAINTENANCE
12 EXPENSES HIGHER IN THE TEST YEAR, 2006, THAN 2004 AND 2005?

13 A. Costs for the three chemicals we primarily use, sodium hypochlorite, cationic and
14 anionic polymers, have increased significantly since our previous 2003 test year.
15 These costs continue to increase. We have also seen a steady increase in contract
16 labor expense and materials, a trend that leads to a continued increase in Repairs
17 and Maintenance Expense. With these costs increasing, 2004 and 2005 expense
18 levels do not reflect our expenses for these operating expenses.

19 Q. WERE THERE EXTRAORDINARY CIRCUMSTANCES THAT LED TO
20 THE INCREASE IN THE TEST YEAR CHEMICAL AND
21 REPAIRS/MAINTENANCE EXPENSE LEVELS?

22 A. No, cost increases being experienced across the board are not "extraordinary"—it
23 is the norm. Based on their responses to data requests, Staff does not appear to be
24 aware of any extraordinary reason for the increases either.

25 VI. RATE CASE EXPENSE.

26 Q. BOTH STAFF AND RUCO RECOMMEND DENIAL OF SOME ASPECT

1 **OF THE COMPANY'S REQUEST FOR RATE CASE EXPENSE. DO YOU**
2 **WISH TO COMMENT ON THESE RECOMMENDATIONS?**

3 A. Yes. Although I note that Mr. Bourassa provides the Company's detailed
4 opposition to these recommendations in his rebuttal testimony. Bourassa Rb. at 22-
5 28. For starters, I find Staff's reduction to our rate case expense from \$280,000 to
6 \$150,000 to be bordering on confiscatory. For one thing, Staff bombarded us with
7 discovery in this rate case, serving more than 300 data requests (counting subparts),
8 many of which were irrelevant and not applicable to the Company, and many of
9 which required information that appears to have had no impact on Staff's filing.
10 This discovery cost the Company tens of thousands of dollars in rate case expense,
11 not to mention the person-hours required by CCWC and American States personnel
12 to respond. We were served far more discovery in this case than in our last rate.

13 This brings me to my second point regarding Staff's recommendation.
14 Mr. Millsap states in his testimony that his recommendation is based on rate case
15 expense awarded to "comparable-sized utilities". Millsap Dt. at 32. None of these
16 utilities were identified in his testimony. Then, when we asked for these so-called
17 comparable-sized utilities" to be identified in a data request, Mr. Millsap started by
18 referring to electric and gas companies in Kansas, and then offered vague reference
19 to the Commission "awarding rate case expense in a number of dockets." See
20 Staff's response to Company data request 1.27, attached hereto as **Hanford**
21 **Rebuttal Exhibit 1**. The bottom line appears to be that Mr. Millsap cannot explain
22 the basis for his recommendation. Meanwhile, Mr. Millsap clearly failed to
23 consider our last rate case in which the Commission awarded rate case expense of
24 \$285,000. I cannot think of a utility more comparable to CCWC than CCWC.
25 And given Staff's position that inflation affects our rate base and cost of capital,
26 surely Staff should agree that inflation impacts rate case expense making it more

1 costly to process this rate case than the last one on a simple apples-to-apples
2 comparison.

3 **Q. WAS THERE ANYTHING UNUSUAL ABOUT THE LAST RATE CASE AS**
4 **COMPARED TO THIS ONE THAT LED TO MORE RATE CASE**
5 **EXPENSE BEING REQUESTED AND AWARDED IN THAT LAST RATE**
6 **CASE?**

7 A. No, there are always a number of contested issues in every rate case, and the taxing
8 requirements for multiple rounds of prefiled testimony, hearings, and post-hearing
9 briefings always apply. Nevertheless, I would note that despite the obvious
10 impacts of inflation, and the weight of Staff's discovery efforts in this case, the
11 Company sought less rate case expense in this case than it did in the last rate case.
12 We felt the amount requested, \$280,000, was more than fair.

13 **Q. WILL CCWC'S SHAREHOLDER ABSORB SOME OF THE RATE CASE**
14 **EXPENSE INCURRED FOR THIS RATE CASE?**

15 A. Yes, as we always expect to be the case. Mr. Bourassa's rebuttal contains the
16 relevant numbers. Bourassa Rb. at 24-25. We understand and accept that some of
17 the expense should be absorbed by the Company, but Mr. Millsap's
18 recommendation simply goes way too far.

19 **Q. BUT ISN'T THE COMMISSION SIMPLY DETERMINING A**
20 **"NORMALIZED" LEVEL OF RATE CASE EXPENSE AS MR. MILLSAP**
21 **CLAIMS?**

22 A. This does not make any sense to me. Rate case expense is not incurred during the
23 test year and it is not an ordinary operating expense. It is incurred by the Company
24 for the exclusive purpose of obtaining rate relief, something the Company cannot
25 do without spending a substantial amount of money to obtain an order of the
26 Commission granting rate relief. The Commission should look at the total amount

1 incurred, compare it to the amount requested and the amount awarded in other
2 similar rate cases and reach and award a reasonable level of rate case expense to be
3 recovered over a reasonable time period.

4 **Q. THE COMPANY ALSO SOUGHT TO RECOVER, IN THIS RATE CASE,**
5 **RATE CASE EXPENSE FOR THE APPEAL OF DECISION NO. 68176**
6 **AND RESULTANT REMAND. WHY?**

7 A. Because the Commission told us to seek recovery in this case when it issued the
8 remand decision, Decision No. 70441 (July 28, 2008). As a result, the Company
9 made a supplemental filing seeking to recover \$258,511 for the appeal and remand,
10 which amount represents a removal of one half of the costs for the appeal, because
11 we lost one of the two issues, and just over half of the remaining amount that was
12 incurred.

13 **Q. ISN'T HALF A MILLION DOLLARS A LOT OF MONEY FOR THE**
14 **APPEAL AND REMAND, MR. HANFORD?**

15 A. It sure is. But we did not violate the Arizona Constitution and it was that violation
16 that led to the Court of Appeal's remand. And when the matter was remanded, we
17 fought hard to make the proceeding shorter, less complicated and less expensive.
18 Staff and RUCO argued otherwise, prevailed and then hired multiple expert
19 witnesses that added to the complexity of the remand and made it a lot more
20 expensive. That was their right, but we should not be held solely accountable for
21 the major expense that resulted, especially as we have only asked for roughly one-
22 half of what we incurred as a result of the unlawful decision. This makes Staff's
23 recommended recovery of only \$100,000 for the appeal and remand, not even one-
24 quarter of what we incurred as a result of the violation of the Arizona Constitution
25 by the Commission.

26 **Q. BUT WASN'T IT A "BUSINESS DECISION" TO FILE THE APPEAL, AS**

1 **RUCO'S WITNESS TESTIFIES?**

2 A. Yes, it is true that CCWC had to make a "business decision" whether to risk its
3 money asking the courts to require the Commission to follow the law. But so
4 what? It was the Commission that failed to follow the Constitution and the Court
5 that ordered the remand as a result. Had the Constitution been followed in the first
6 place, as CCWC argued in the rate case, none of the costs for the appeal and
7 remand would have resulted. And for this reason the Company should receive a
8 reasonable award of rate case expense.

9 **VII. REDUCTION IN GOLF COURSE REVENUES**

10 **Q. IN THE COMPANY'S FILING, MR. BOURASSA MADE A *PRO FORMA***
11 **ADJUSTMENT TO ACCOUNT FOR REDUCED WATER SALES TO**
12 **GOLF COURSES IN CCWC'S CCN. HAS THAT TREND CONTINUED?**

13 A. Yes, although in our filing Mr. Bourassa only had available 2006 revenues and the
14 reduction in revenues did not begin occurring until the second half of the Test
15 Year. Now we know that our irrigation sales to the four golf courses we serve
16 decreased from 765.4 ac-ft in 2006 to 196.5 ac-ft in 2007. Further, through the end
17 of the third quarter of 2008, total irrigation sales are within 5% of 2007 sales for
18 the same period in 2007.

19 **Q. RUCO MADE AN ADJUSTMENT TO UTILIZE THE WATER SALES TO**
20 **GOLF COURSES IN 2007, RATHER THAN ADOPT MR. BOURASSA'S**
21 ***PRO FORMA* ADJUSTMENT. IS RUCO'S ADJUSTMENT ACCEPTABLE**
22 **TO THE COMPANY?**

23 A. Yes, we believe that RUCO's revenues from water sales are a better reflection of
24 the level of water sales to golf courses we can expect in the future, a minor benefit
25 resulting from the unfortunate delay in processing this rate application.
26 Mr. Bourassa further explains the Company's acceptance of RUCO's adjustment in

1 his rebuttal testimony. Bourassa Rb. at 28.

2 **Q. IS IT POSSIBLE THAT REVENUES FROM WATER SALES WILL**
3 **CONTINUE TO DECLINE IF RATE INCREASES ARE AWARDED?**

4 A. Yes, especially given the fact that we are seeking to address an anomaly in our rate
5 design with respect to irrigation water. *See* Bourassa Dt. at 17. But, at this time,
6 we cannot know for sure if future sales will decline further beyond what we have
7 seen since mid-2006 and continuing today, or by how much. We will have to leave
8 that question for our next rate case.

9 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

10 A. Yes, although I wish to note that my silence on any issue raised by Staff or RUCO
11 should not be construed as the Company's acceptance.

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HANFORD REBUTTAL EXHIBIT 1

**STAFF'S RESPONSE TO THE
FIRST SET OF DATA REQUESTS
FROM CHAPARRAL CITY WATER COMPANY
TO THE ARIZONA CORPORATION COMMISSION STAFF
Docket No. W-02113A-07-0551
October 16, 2008**

- 1.27. Identify each and every "comparable sized" utility considered by Staff in reaching its recommended level of rate case expense as testified to by Mr. Millsap (Dt at 32).

Response: Based on Mr. Millsap's experience with the Kansas Commission, he considered companies such as Empire District Electric Company, Peoples Natural Gas, Western Resources and One OK.

In addition, Staff notes that rate case expense has been awarded by the Commission in a number of dockets, including, but not limited to, Arizona-American, docket no. 05-0405; Arizona Water, docket no 02-0619, Pine Water, docket no.03-0279.

Respondent: Marvin Millsap; Elijah Abinah

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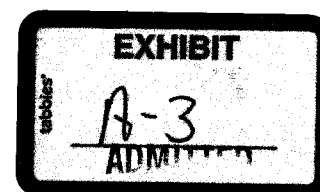
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Water Company, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF CHAPARRAL CITY WATER
COMPANY, INC., AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT
AND PROPERTY AND FOR INCREASES
IN ITS RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO. W-02113A-07-_____

DIRECT TESTIMONY OF
THOMAS J. BOURASSA
(RATE BASE, INCOME STATEMENT,
REVENUE REQUIREMENT, RATE DESIGN)



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1 **I. INTRODUCTION AND QUALIFICATIONS.**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,
4 Phoenix, Arizona, 85029.

5 **Q. WHAT IS YOUR PROFESSION AND BACKGROUND?**

6 A. I am a Certified Public Accountant and am self-employed, providing consulting
7 services to utility companies as well as general accounting services. I have a B.S.
8 in Chemistry/Accounting from Northern Arizona University (1980) and an M.B.A.
9 with an emphasis in Finance from the University of Phoenix (1991).

10 **Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND**
11 **REGULATORY EXPERIENCE?**

12 A. Yes. I was employed by High-Tech Institute, Inc., and served as controller and
13 chief financial officer, prior to becoming a private consultant. Prior to working for
14 High-Tech Institute, I worked as a division controller for the Apollo Group, Inc.
15 Before joining the Apollo Group, I was employed at Kozoman & Kermode, CPAs.
16 In that position, I prepared compilations and other write-up work for water and
17 wastewater utilities, as well as tax returns.

18 In my private practice, I have prepared and/or assisted in the preparation of
19 several water and wastewater utility rate applications before the Arizona
20 Corporation Commission ("Commission"). A summary of my regulatory work
21 experience is attached.

22 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

23 A. I am testifying in this proceeding on behalf of the applicant, Chaparral City Water
24 Company ("CCWC" or "the Company"). In this proceeding, CCWC is seeking a
25 determination of (i) the fair value of its utility properties for ratemaking purposes,
26 (ii) a fair and reasonable rate of return thereon, and (iii) increases in its rates and

1 charges for water utility service in its certificated service area, which is located in
2 Maricopa County.

3 **II. OVERVIEW OF THE COMPANY'S APPLICATION.**

4 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

5 A. My direct testimony in this proceeding is being filed in two parts. In this portion
6 of my direct testimony, I am sponsoring testimony that addresses the Company's
7 rate base, its income statement (revenue and operating expenses), its required
8 increase in revenue, and its rate design and proposed rates and charges for service.
9 Schedules A through H, except the D and G schedules, are attached to this portion
10 of my direct testimony. I was responsible for the preparation of these schedules
11 based on my investigation and review of the relevant books and records for the
12 Company.

13 In the second portion of my direct testimony, to which the D schedules are
14 attached, I address cost of capital. The Company is requesting a return on
15 common equity of 10.5%. As shown on Schedule D-1, the Company's capital
16 structure consists of approximately 23 percent debt and 77 percent equity. The
17 weighted cost of capital is 9.32 percent.

18 For the convenience of the Commission and the parties, the two portions of
19 my direct testimony, each with the relevant schedules attached, are being filed
20 separately in this case.

21 **Q. WHY DID THE COMPANY OMIT THE "G" SCHEDULES?**

22 A. CCWC omitted the "G" Schedules because CCWC is proposing to follow the
23 same inverted tier rate design approved by the Commission in the last rate case.
24 A COSS was prepared in the last rate case and its implications did not influence
25 the current rate design. Since this Commission has adopted the same basic rate
26 design for the past several years and the Company proposes the same rate design

1 in the instant case, a COSS is unnecessary. The "G" schedules were omitted
2 because they were an unnecessary expense in this case.

3 **Q. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.**

4 A. The test year used by CCWC is the 12-month period ending December 31, 2006.
5 The Company has also proposed certain pro forma adjustments to take into
6 account known and measurable changes to rate base, expenses and revenues.
7 These pro forma adjustments are consistent with normal ratemaking and with the
8 Commission's rules and regulations. They are also necessary to obtain a normal
9 or realistic relationship between revenues, expenses and rate base.

10 As stated above, the Company is requesting an overall return of
11 9.32 percent on its fair value rate base. The resulting increase in revenues needed
12 to provide that return is approximately \$3,063,400, an increase of approximately
13 41.14 percent over the adjusted and annualized test year revenues.

14 **Q. WHY IS CCWC FILING FOR RATE INCREASES AT THIS TIME?**

15 A. The Company's last rate increase was approved on September 30, 2005 (Decision
16 68176) using a test year ending December 31, 2003. Since that time, CCWC has
17 made significant investments in plant, and various operating expenses have
18 increased. The Company's current rate of return on fair value rate base, based on
19 the adjusted test year data, is approximately 2.77 percent. Consequently, rate
20 increases are necessary to ensure that the Company has an opportunity to earn a
21 fair return on the fair value of its utility plant and property devoted to public
22 service.

23 **Q. WHAT IS THE STATUS OF THE PRIOR DECISION?**

24 A. The Company appealed Decision 68176. On February 13, 2007, the Arizona
25 Court of Appeals issued its Memorandum Decision, remanding Decision 68176, in
26 part, back to the Commission. The remand proceeding (Docket No. W-02113A-

1 04-0616) is currently proceeding before the Commission.

2 **Q. WHAT IS AT ISSUE IN THE REMAND PROCEEDING?**

3 A. From a ratemaking perspective, the question is how the Company's operating
4 income in the last rate case should have been determined consistent with the Court
5 of Appeal's decision. Practically speaking, the remand proceeding is about
6 whether the Commission should have approved higher rates, and if so, how to
7 remedy the problem.

8 **Q. HOW WILL THE OUTCOME OF THE REMAND PROCEEDING**
9 **IMPACT THIS RATE CASE?**

10 A. The remand proceeding itself will not have an impact on the revenue requirement
11 in the instant case. What may change is the required increase in the revenue
12 requirement in the instant case over the revenue requirement approved in the
13 remand proceeding.

14 **Q. PLEASE EXPLAIN.**

15 A. For example, if the revenue requirement and rates for the prior case are set higher
16 in the remand proceeding, then the difference between the Company's proposed
17 revenue requirement in the instant case and the adjusted test year revenues will be
18 smaller (along with the needed percentage increase). Again, however, the
19 Company's total proposed revenue requirement in the instant case will not be
20 impacted.

21 **Q. BUT MR. BOURASSA, WOULDN'T YOU AGREE THAT THE REMAND**
22 **PROCEEDING COULD HAVE AN IMPACT ON THE MANNER IN**
23 **WHICH OPERATING INCOME IS DETERMINED IN THE INSTANT**
24 **CASE?**

25 A. It could, but I prefer not to speculate and that is all anybody can do at this time.

26

1 **III. SUMMARY OF A, E AND F SCHEDULES.**

2 **Q. MR. BOURASSA, LET'S TURN TO THE COMPANY'S SCHEDULES.**
3 **PLEASE DESCRIBE THE SCHEDULES LABELED AS A, E, AND F.**

4 A. The A-1 Schedule is a summary of the rate base, adjusted operating income,
5 current rate of return, required rate of return, operating income deficiency, and the
6 increase in gross revenue. Revenues at present and proposed rates and customer
7 classifications are also shown on this schedule.

8 The A-2 Schedule is a summary of results of operations for the test year,
9 prior years, and a projected year at present rates and proposed rates.

10 Schedule A-3 contains the Company's capital structure for the test year and
11 the two prior years.

12 Schedule A-4 contains the plant construction, and plant in service for the
13 test year and prior years. The projected plant additions are also shown on this
14 schedule.

15 Schedule A-5 is the summary of the Company's changes in financial
16 position (cash flow) for the prior two years, the test year at present rates, and a
17 projected year at present and proposed rates.

18 The E Schedules are based on CCWC's actual operating results, as reported
19 by the Company in annual reports filed with the Commission. The E-1 Schedule
20 contains the comparative balance sheet data for the years 2004, 2005, and 2006.

21 Schedule E-2, page 1, contains the income statement for the years 2004,
22 2005, and 2006.

23 Schedule E-3 contains the statements of changes in the Company's
24 financial position for the test year and the two prior years.

25 Schedule E-4 provides the changes in stockholder's equity.

26 Schedule E-5 contains the Company's plant in service at the end of the test

1 year, and one year prior to the end of the test year.

2 Schedule E-7 contains operating statistics for the years ended December 31,
3 2004, December 31, 2005, and December 31, 2006.

4 Schedule E-8 contains the taxes charged to operations.

5 The accountant's notes to the financial statements and the financial
6 assumptions used in preparing the rate filing schedules are shown on Schedules
7 E-9 and F-4, respectively, in accordance with the Commission's standard filing
8 requirements. The Company has stand-alone audited financial statements
9 prepared, which are included in the Company's schedules.

10 **Q. PLEASE CONTINUE.**

11 **A.** Schedule F-1 contains the results of operations at the present rates (actual and
12 adjusted), and at proposed rates.

13 Schedule F-2 contains the summary of changes in financial position (cash
14 flow) for the prior two years, the test year at present rates, and a projected year at
15 present and proposed rates.

16 Schedule F-3 shows the Company's projected construction requirements
17 for 2004, 2005, and 2006.

18 Schedule F-4 contains the assumptions used in developing the adjustments
19 and projections contained in the rate filing.

20 **IV. RATE BASE (B SCHEDULES).**

21 **Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE**
22 **LABELED AS THE B SCHEDULES?**

23 **A.** Yes. I will start with Schedule B-5, which is the working capital allowance. The
24 results produced by the "formula method" of computing the working capital
25 allowance are shown only for informational purposes on Schedule B-5. The
26 Company is not requesting a working capital allowance in this case, as reflected

1 on Schedules B1, B2, and B3.

2 **Q. WHY ISN'T THE COMPANY SEEKING WORKING CAPITAL?**

3 A. In order to simplify this filing and to reduce issues that might be in dispute.

4 **Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE RATE BASE**
5 **SCHEDULES.**

6 A. Schedule B-4 contains reconstruction cost new less depreciation ("RCND") plant
7 information. There are B-4 schedules for both the Company's plant base as well
8 as the General Office plant base.

9 **Q. WHAT IS THE GENERAL OFFICE PLANT?**

10 A. While CCWC maintains a local office in Fountain Hills, the Company's
11 accounting, billing, and customer call center operations are primarily performed
12 by American States in California. General Office plant is the plant required for
13 American States to perform these functions for all of its water operations,
14 including CCWC. The plant amounts allocated to CCWC and included in rate
15 base are based on a four-factor formula: (1) customer numbers; (2) utility plant;
16 (3) expenses; and (4) labor costs.

17 The percentage allocated for CCWC is quite low, 3.21 percent, due to the
18 small size of its plant, customer base and expenses relative to other operations.

19 **Q. WHY IS THE COMPANY SUBMITTING SCHEDULES SUPPORTING**
20 **AN RCND RATE BASE?**

21 A. Because we are required to by the Commission's rules. *See* R14-2-103.B.

22 **Q. HOW WERE THE RCN PLANT BASES DETERMINED?**

23 A. The RCN plant bases were developed using the Handy-Whitman Bulletin 155
24 Plateau Region (HW Bulletin 155) and the U.S. Department of Labor Consumer
25 Price Index for All Urban Consumers (CPI-U).

26 The plant-in-service or plant asset listing at the end of the test year was first

1 summarized by asset class (account) and vintage year. An appropriate cost index
2 number was assigned to each asset class and vintage year. Handy-Whitman
3 Bulletin 155, Plateau Region was used as the cost index source for construction
4 plant, and the CPI-U was used as the cost index source for certain non-
5 construction plant items such as computers and transportation equipment. To
6 restate the original cost in current dollars, the original cost was multiplied by a
7 cost factor for each asset class and vintage year. The cost factor is the ratio of the
8 cost index number at the end of 2006 and the cost index number assigned.

9 **Q. DID YOU TREND LAND, ORGANIZATION, FRANCHISE AND OTHER**
10 **INTANGIBLE PLANT?**

11 A. No. Although not trending these components of plant results in an understatement
12 of current value, I did not trend land, organization, franchise or other intangible
13 plant in order to simplify this filing and to reduce issues in dispute in this case.

14 **Q. HOW DID YOU TREND ACCUMULATED DEPRECIATION?**

15 A. Trended accumulated depreciation was determined for each asset class by
16 multiplying the original cost accumulated depreciation balance by asset class at
17 the end of the test year by the ratio of the asset class trended RCN plant base and
18 the asset class original cost plant base.

19 **Q. HOW DID YOU TREND ADVANCES IN AID OF CONSTRUCTION AND**
20 **CONTRIBUTIONS IN AID OF CONSTRUCTION?**

21 A. Advances in aid of construction ("AIAC") and contributions in aid of construction
22 ("CIAC") were trended using the ratio of the total of the trended RCN plant base
23 to the total of original cost plant base.

24 **Q. HAVE YOU PREPARED A SCHEDULE SHOWING ADJUSTMENTS TO**
25 **THE RCND RATE BASE?**

26 A. Yes. Schedule B-3, page 1 shows those adjustments. Schedules B-3, pages 2

1 through 8 are the supporting schedules.

2 Adjustment number 1 increases accumulated depreciation at the trended
3 amount of the difference between the book balance of accumulated depreciation at
4 the end of the test year and the computed accumulated depreciation balance.

5 Adjustment number 2 increases plant in service for the trended allocated
6 General Office plant cost.

7 Adjustment number 3 increases accumulated depreciation for the trended
8 allocated general office plant accumulated depreciation.

9 Adjustment number 4 increases the CIAC at the trended amount of
10 unrecorded amortization.

11 Adjustment 5 removes deferred income tax amounts related to goodwill.
12 Since goodwill has not been included in rate base, the related deferred tax
13 amounts should be excluded from rate base.

14 Adjustment 6 reflects the amortized portion of a regulatory liability of
15 \$760,000 established by the Company in 2005. I will explain regulatory liability
16 further below.

17 Adjustment 7 reflects an increase to deferred regulatory assets for the
18 purchase of an additional CAP allocation. I will explain this adjustment further
19 below.

20 **Q. HAVE YOU PREPARED A SCHEDULE SHOWING ADJUSTMENTS TO**
21 **THE ORIGINAL COST RATE BASE?**

22 **A.** Yes. Schedule B-2, page 1, shows adjustments to the original cost rate base.
23 Schedules B-2, pages 2 through 8 are the supporting schedules. These
24 adjustments are, in summary:

25 Adjustment number 1 increases accumulated depreciation by the amount of
26 the difference between the book balance of accumulated depreciation at the end of

1 the test year and the computed accumulated depreciation balance.

2 **Q. DO THE PLANT AND ACCUMULATED DEPRECIATION SHOWN ON**
3 **SCHEDULE B-2 AND SCHEDULE B-3 REFLECT THE LAST**
4 **COMMISSION RATE ORDER?**

5 A. Yes. The plant shown on Schedule B-2 started with the Commission-determined
6 plant from the last rate case. Plant additions and retirements since the test year in
7 that case have been added to and deducted from total plant shown on schedule B-
8 2. The B-2 schedules, pages 3a through 3d, show the details for the recomputed
9 accumulated depreciation through the end of the test year using half-year
10 convention for depreciation. Corresponding adjustments were made to the RCND
11 rate base, as shown on Schedule B-3.

12 **Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE RATE BASE.**

13 A. Adjustment number 2 increases plant in service for the allocated General Office
14 plant cost.

15 Adjustment number 3 increases accumulated depreciation for the allocated
16 general office plant accumulated depreciation.

17 Adjustment number 4 increases the CIAC at the computed amount of
18 unrecorded amortization.

19 Adjustment 5 removes deferred income tax amounts related to goodwill.
20 Since goodwill has not been included in rate base, the related deferred tax
21 amounts should be removed.

22 Adjustment 6 reflects the amortized portion of a regulatory liability of
23 \$760,000 established by the Company in 2005. The regulatory liability reflects
24 one-half of the gain of \$1,520,000 as a result of an agreement with the Fountain
25 Hills Sanitary District ("FHSD"). The details of this payment, which was
26 essentially a settlement over the value of two of the Company's wells, are

1 discussed by Mr. Robert Hanford in his direct testimony. Hanford DT at 9-10.

2 **Q. WHY DID THE COMPANY ESTABLISH A REGULATORY LIABILITY**
3 **FOR ONE-HALF OF THE GAIN FROM THE SETTLEMENT WITH THE**
4 **FHFD?**

5 A. There is precedent by this Commission to share extraordinary gains equally
6 between the Company's shareholders and its rate payers. *See Arizona Water*
7 *Company-Eastern Group*, Decision No. 66849 (March 19, 2004) at 32-35. To
8 help eliminate issues that might be in dispute in this rate case, CCWC proposes to
9 share the gain with rate payers.

10 **Q. IS THE GAIN AMOUNT A DEDUCTION FROM RATE BASE?**

11 A. Yes, thus, including the shared gain reduces the revenue requirement. As I will
12 discuss later, the Company also proposes to include amortization of the gain in
13 operating expenses which further reduces the revenue requirement.

14 **Q. HAVE YOU MADE ANY OTHER ADJUSTMENTS TO RATE BASE?**

15 A. Yes. Adjustment 7 increases rate base by \$1.28 million, the amount to be paid by
16 CCWC by December 31, 2007, for an additional allocation of CAP water. *See*
17 *Hanford DT at 5-7.*

18 **Q. WHY IS THE COMPANY PROPOSING RATE BASE TREATMENT FOR**
19 **THE COST OF ACQUIRING AN ADDITIONAL CAP ALLOCATION?**

20 A. Because it is an investment in water supply purchased using paid-in-capital. If the
21 shareholder is going to pay the cost of securing the most safe and reliable water
22 supplies for CCWC's ratepayers, then the shareholder should be awarded with a
23 return on the fair value of that asset.

24 **Q. ISN'T THIS POST TEST YEAR PLANT, MR. BOURASSA?**

25 A. Yes, but not in the traditional sense.
26

1 Q. PLEASE EXPLAIN.

2 A. To the extent that I have made an adjustment to the test year rate base amount to
3 recognize an asset acquired after the test year, yes. However, the cost of the CAP
4 allocation is entirely known and measurable, as is the cost of the annual capital
5 service charge I used as the basis of the proforma adjustment to the income
6 statement I discuss in the next section of my testimony.

7 Q. BUT HAVEN'T YOU CREATED A MISMATCH BETWEEN RATE BASE,
8 REVENUES AND EXPENSES?

9 A. Not at all. The additional allocation of CAP water is revenue neutral as it is not
10 anticipated to generate any additional revenues for the Company. On the expense
11 side, the annual service charge will be charged as long as the Company holds the
12 additional allocation of CAP water, therefore this adjustment is now known and
13 measurable. However, I have not made any adjustment to operating expenses for
14 the cost of delivery of water from the additional allocation. That cost is not
15 known and measurable at this time because the Company does not yet know how
16 much of the additional CAP allocation it will use.

17 Q. IS THE ADDITIONAL CAP ALLOCATION USED AND USEFUL?

18 A. I believe so. As explained in Mr. Hanford's direct testimony, the Company has
19 been presented with a unique opportunity to acquire additional surface water
20 supplies. Hanford DT at 5. This additional allocation gives the Company
21 additional opportunities to (1) further promote the conservation of groundwater;
22 (2) better withstand reductions in the amount of CAP water available in the State;
23 and (3) meet increases in demand. Given these benefits to ratepayers, and that
24 this is a one-time, all-or-nothing option, I believe the acquisition of the additional
25 CAP water is appropriate for rate base treatment.

26

1 Q. HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON
2 A-1 DETERMINED?

3 A. The fair value rate base ("FVRB") shown on Schedule A-1 is based on an equal
4 weighting of original cost rate base ("OCRB") and reconstruction cost rate base
5 ("RCRB").

6 Q. WHY HAS THE COMPANY CHOSEN AN EQUAL WEIGHTING OF
7 OCRB AND RCND AS FVRB?

8 A. To be conservative and to minimize potential areas of dispute.

9 Q. WHAT DO YOU MEAN BY "CONSERVATIVE", MR. BOURASSA?

10 A. As I understand the concept of "fair value," which is used in setting rates in
11 Arizona, the value of the plant and property on which the Company is entitled to
12 earn a fair return should be its current value, as opposed to its book or original
13 cost. A strict application of original cost fails to take into account increases in
14 construction costs and similar changes that would cause the current value of the
15 plant and property to be greater than original cost. Thus, averaging the OCRB and
16 the RCRB to determine the FVRB is a "conservative" approach.

17 V. INCOME STATEMENT (C SCHEDULES).

18 Q. LET'S MOVE ON TO THE C SCHEDULES. PLEASE EXPLAIN THE
19 ADJUSTMENTS YOU ARE PROPOSING TO THE INCOME
20 STATEMENT AS SHOWN ON SCHEDULES C-1 AND C-2.

21 A. The details of the adjustments are shown on Schedule C-2. The adjustments are
22 then carried forward to the C-1 Schedule, which contains the adjusted test year
23 income statement.

24 Adjustment 1 annualizes depreciation expense. The depreciation rates used
25 were approved in the prior rate case and are asset class specific. The depreciation
26 calculations include the General Office plant.

1 Adjustment 2 increases the property taxes based on proposed revenues.
2 The Company's adjustment recognizes the recently passed Arizona legislation
3 (H.B. 2779) now codified in A.R.S. § 42-15001, entitled "Assessed Valuation of
4 Class One Property"). The law reduces the assessment ratio ½ percent (0.5%) for
5 the next 10 years starting in 2006. The Company has proposed a 23% assessment
6 rate which will be in effect for the property tax year 2009.

7 **Q. HOW DID YOU COMPUTE THE PROPERTY TAXES AT PROPOSED**
8 **RATES?**

9 A. To determine full cash value, I used the method employed by the Arizona
10 Department of Revenue — Centrally Valued Properties ("ADOR" or "the
11 Department"). This method determines full cash value by using twice the average
12 of three years of revenue, plus an addition for CWIP and a deduction for the book
13 value of transportation equipment. In the instant case, I used two times the
14 adjusted revenues for 2006, and revenues at proposed rates. The assessed value
15 (24 percent of full cash value) was then multiplied by the property tax rate to
16 determine adjusted property tax expense.

17 **Q. IS THIS CONSISTENT WITH PRIOR COMMISSION DECISIONS?**

18 A. Yes. It is the same methodology used by the Commission in the last rate case for
19 the Company. *Chaparral City Water Company*, Decision No. 68176
20 (September 30, 2005), at 13-15. It has been used by the Commission consistently
21 for water and sewer utilities for the past several years. *E.g., Black Mountain*
22 *Sewer Corporation*, Decision No. 69164 (December 5, 2006), at 10-12; *Rio Rico*
23 *Utilities*, Decision No. 67279 (October 5, 2004), at 8; *Arizona Water Company*,
24 Decision No. 64282 (December 28, 2001) at 12-13; *Bella Vista Water Company*,
25 Decision No. 65350 (November 1, 2002), at 16; *Arizona-American Water*
26 *Company*, Decision No. 67093 (June 30, 2004), at 9-10.

1 Q. WHY HAS THE COMMISSION UTILIZED THIS METHODOLOGY?

2 A. In the Commission's own words, "using only historical revenues to calculate
3 property taxes to include in the cost of service fails to capture the effects of future
4 revenue from new rates, and can result in an understatement or overstatement of
5 property tax expense." Decision No. 67093 at 9-10. When it comes to property
6 tax expense, each utility has the same characteristics, only the numbers change.
7 So there is no reason to change the ratemaking formula.

8 Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE INCOME
9 STATEMENT ADJUSTMENTS.

10 A. Adjustment 3 annualizes wages and salaries and reflects wage increases granted in
11 January 2006.

12 Adjustment 4 shows the rate case expense. The Company is proposing
13 \$280,000 of rate case expense to be amortized over three years.

14 Q. HOW DID YOU DETERMINE THE AMOUNT OF RATE CASE
15 EXPENSE?

16 A. The \$280,000 is an estimate based on the last rate case. It is the same as the
17 amount authorized in the last rate case and I felt it was an appropriate starting
18 point in this case. My adjustment for rate case expense will have to be revisited
19 periodically as the rate case progresses.

20 Q. WHY IS THE COMPANY PROPOSING TO USE A THREE-YEAR
21 AMORTIZATION PERIOD?

22 A. This is approximately the time period since the last filing. American States
23 intends for Chaparral City to file at intervals consistent with its other water
24 subsidiaries, which is on average every three years. Consequently, the use of a
25 three-year amortization period is appropriate.

26

1 Q. IS THERE UNRECOVERED RATE CASE EXPENSE FROM THE PRIOR
2 CASE?

3 A. Yes. In the prior case, rate case expense was amortized over 4 years. Since the
4 prior Decision was not issued until September 2005 and new rates were not
5 effective until October 2005, there remains unrecovered rate case expense from
6 the prior case. I have included unrecovered rate case expense in the computation
7 and recast the annual amount to be included in operating expenses in the instant
8 case.

9 Q. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE
10 INCOME STATEMENT.

11 A. Adjustment 5 annualizes purchased water expense for Central Arizona Project
12 ("CAP") water costs using 2008 rates and for groundwater replenishment fees
13 assessed by the Central Arizona Ground Water Replenishment District. This
14 adjustment also incorporates the additional gallons from the revenue annualization
15 adjustment 6 and incorporates additional CAP water allocation of 1,931 acre feet
16 the Company will acquire by the end of 2007. I have discussed this additional
17 allocation above in my testimony on the rate base.

18 Q. YOU INCLUDED THE ANNUAL CAP WATER SERVICE CHARGES IN
19 THE COMPUTATION OF PURCHASED WATER?

20 A. Yes. The amount for the additional CAP allocation water service or capital
21 charge included in operating expenses is approximately \$40,500. This amount has
22 to be paid by CCWC whether or not it takes any of the additional allocation.

23 Q. PLEASE CONTINUE.

24 A. Adjustment 6 annualizes revenues to the year-end number of customers for each
25 meter size. This adjustment is intended to increase revenues on the basis that the
26 number of customers at year-end were receiving service during the entire 12

1 months of the test year. The annualization for most meter sizes was based on the
2 number of customers at the end of the test year, compared to the actual number of
3 customers on each size meter during each month of the test year. Average
4 revenues by month were computed for the test year for each meter size. The
5 average revenues were then multiplied by the increase (or decrease) in number of
6 customers for each month of the test year. The annualization for the 4 inch and 6
7 inch irrigation meters is based on changes in the amount of potable water sold to
8 golf courses.

9 **Q. WHY DOES THE REVENUE ANNUALIZATION REDUCE REVENUES**
10 **IN THIS CASE?**

11 A. At least two golf course customers are no longer relying on and/or have
12 significantly reduced the use of potable water for golf course irrigation. The golf
13 courses are instead relying more and/or exclusively on effluent water. It appears
14 that the Company has been successful in complying with the last rate case
15 decision which required that the Company work to reduce the use of groundwater
16 on golf courses. Mr. Hanford discusses this further in his testimony. Hanford DT
17 at 7-9.

18 **Q IS THE LOSS OF GOLF COURSE WATER SALES A KNOWN AND**
19 **MEASURABLE CHANGE TO THE TEST YEAR?**

20 A. Yes. I have used 7 months of actual data from January through July 2007 and 5
21 months of projected data. A full 12 months of actual data will be available in
22 3 months, well before any other party's direct filing deadline comes around. The
23 reduction in water sales must be included as an adjustment to the test year
24 revenues to obtain a more normal or realistic test year. And the Company
25 shouldn't be penalized for helping to accomplish additional conservation of
26 groundwater in its CCN.

1 Q. PLEASE CONTINUE.

2 A. Adjustment 7 removes non-utility revenues and expenses to eliminate the effects
3 on income taxes.

4 Adjustment 8 annualizes purchased power costs based on rate increases
5 implemented late last year by Salt River Project ("SRP").

6 Adjustment 9 annualizes purchased power costs based on rate increases
7 implemented earlier this year by Arizona Public Service Company ("APS").

8 Adjustment 10 annualizes purchased power based on additional gallons
9 from the revenue annualization performed in adjustment 6 while taking into
10 account the purchased power increases from SRP and APS in adjustments 8 and 9.
11 Adjustment 10 is intended to match additional revenues from the revenue
12 annualization.

13 Adjustment 11 reflects the amortization of the shared gain on the settlement
14 payment by FHSD discussed above. The amortization period proposed is 10
15 years. The amortization reduces operating expenses by \$76,000 and ultimately
16 reduces the revenue requirement.

17 Adjustment 12 synchronizes interest expense with the Company's FVRB.
18 The weighted cost of debt from Schedule D-1 is multiplied by the FVRB
19 contained on Schedule B-1 to derive the interest expense for computation of the
20 income taxes.

21 Adjustment 13 reflects the amortization of the addition CAP allocation as
22 discussed above. The Company proposes a 20-year amortization period or
23 \$64,000 annually.

24 Adjustment 14 reflects the change to incomes taxes at the effective tax rate
25 under proposed revenues.
26

1 VI. RATE DESIGN (H SCHEDULES).

2 Q. WHAT ARE THE COMPANY'S PRESENT RATES

3 A. The monthly charges at present rates are listed below.

4 All Classes

5 Meter 6 Size	Monthly Minimum	Gallons included in Monthly Minimum
7 3/4	\$ 13.60	0
8 1	\$ 22.70	0
9 1 1/2	\$ 45.40	0
10 2	\$ 73.00	0
11 3	\$ 146.00	0
12 4	\$ 227.00	0
13 6	\$ 454.00	0
14 8	\$ 730.00	0
15 10	\$ 1,043.00	0
16 12	\$ 1,980.00	0
17 Fire Hydrants used for 18 Irrigation	\$ 146.00	0
19 Fire Hydrants basic 20 Service	\$ 0.00	0
21 Fire Sprinkler	\$ 10.00	0

22 The commodity charges and tiers by meter size are:

23 Residential, Commercial and Industrial Class

24 Meter 25 Size	Tier (gallons)	Charge per 1,000 gallons
---------------------	----------------	-----------------------------

1	3/4	1 to 3,000	\$ 1.68
2		3,001 to 9,000	\$ 2.52
3		Over 10,000	\$ 3.03
4	1	1 to 24,000	\$ 2.52
5		Over 24,000	\$ 3.03
6	1 1/2	1 to 60,000	\$ 2.52
7		Over 60,000	\$ 3.03
8	2	1 to 100,000	\$ 2.52
9		Over 100,000	\$ 3.03
10	3	1 to 225,000	\$ 2.52
11		Over 225,000	\$ 3.03
12	4	1 to 350,000	\$ 2.52
13		Over 350,000	\$ 3.03
14	6	1 to 725,000	\$ 2.52
15		Over 725,000	\$ 3.03
16	8	1 to 1,125,000	\$ 2.52
17		Over 1,125,000	\$ 3.03
18	10	1 to 1,500,000	\$ 2.52
19		Over 1,500,000	\$ 3.03
20	12	1 to 2,250,000	\$ 2.52
21		Over 2,250,000	\$ 3.03

22

23 Irrigation Class

24 All Meter Sizes All gallons \$1.56

25 Fire Hydrant Irrigation and Construction Class

26 All Meter Sizes All gallons \$1.56

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Standpipe (Fire Hydrants)

All Meter Sizes All gallons \$2.52

Fire Sprinklers

All Meter Sizes All gallons \$2.52

Q. WHAT ARE THE COMPANY'S PROPOSED RATES?

A. The monthly charges at proposed rates are listed below.

All Classes

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
3/4	\$ 18.56	0
1	\$ 30.97	0
1 1/2	\$ 61.95	0
2	\$ 99.61	0
3	\$ 199.21	0
4	\$ 309.74	0
6	\$ 619.47	0
8	\$ 996.07	0
10	\$ 1,423.15	0
12	\$ 2,701.67	0
Fire Hydrants used for Irrigation	\$ 199.21	0
Fire Hydrants basic Service	\$ 0.00	0
Fire Sprinkler	\$ 10.00	0

1 The commodity charges and tiers by meter size are:

2 Residential, Commercial and Industrial Class

3 Meter	4 Tier (gallons)	Charge
Size		per 1,000 gallons
5 3/4	1 to 3,000	\$ 2.292
6	3,001 to 9,000	\$ 3.438
7	Over 10,000	\$ 4.134
8 1	1 to 24,000	\$ 3.438
9	Over 24,000	\$ 4.134
10 1 1/2	1 to 60,000	\$ 3.438
11	Over 60,000	\$ 4.134
12 2	1 to 100,000	\$ 3.438
13	Over 100,000	\$ 4.134
14 3	1 to 225,000	\$ 3.438
15	Over 225,000	\$ 4.134
16 4	1 to 350,000	\$ 3.438
17	Over 350,000	\$ 4.134
18 6	1 to 725,000	\$ 3.438
19	Over 725,000	\$ 4.134
20 8	1 to 1,125,000	\$ 3.438
21	Over 1,125,000	\$ 4.134
22 10	1 to 1,500,000	\$ 3.438
23	Over 1,500,000	\$ 4.134
24 12	1 to 2,250,000	\$ 3.438
25	Over 2,250,000	\$ 4.134

1 Irrigation Class

2 All Meter Sizes All gallons \$3.438

3 Fire Hydrant Irrigation and Construction Class

4 All Meter Sizes All gallons \$3.438

5 Standpipe (Fire Hydrants)

6 All Meter Sizes All gallons \$3.438

7 Fire Sprinklers

8 All Meter Sizes All gallons \$3.438

9 **Q. HAS THE COMPANY PROPOSED A CHANGE IN THE RATE DESIGN?**

10 A. We have utilized the same rate design the Commission established for CCWC in
11 the last rate case. The ¾ inch metered customers continue to have an inverted
12 three-tier design while the 1 inch and larger meters continue have an inverted two-
13 tier design. Rate increases were spread evenly across all classes of customers
14 with the exception of the irrigation and construction class. For the irrigation and
15 construction class, the commodity charge has been set to the same level as the
16 standpipe and fire sprinkler commodity charges. However, under present rates,
17 the irrigation and construction class had the lowest commodity charge — in fact,
18 lower than the first tier of the ¾ inch metered residential customers. There is no
19 good reason for the disparity and I have eliminated it.

20 **Q. WHAT IS THE IMPACT OF THE COMPANY'S PROPOSED RATES ON**
21 **AN AVERAGE ¾ INCH METERED RESIDENTIAL CUSTOMER?**

22 A. The present monthly bill for a ¾ inch metered residential customer using an
23 average of 8,450 gallons is \$32.38. The proposed monthly bill for a ¾ inch
24 metered residential customer using an average of 8,450 gallons is \$44.17 – an
25 increase of \$11.80 or 36.45% over the present rates.

1 Q. WHAT IS THE IMPACT OF THE COMPANY'S PROPOSED RATES ON
2 AN AVERAGE 1 INCH METERED RESIDENTIAL CUSTOMER?

3 A. The present monthly bill for a 1 inch metered residential customer using an
4 average of 10,095 gallons is \$48.14. The proposed monthly bill for a 1 inch
5 metered residential customer using an average of 10,095 gallons is \$65.68 – an
6 increase of \$17.56 or 36.43% over the present rates.

7 Q. ARE THERE ANY CHANGES TO THE MISCELLANEOUS SERVICE
8 CHARGES?

9 A. No.

10 Q. ARE THERE ANY CHANGES TO THE METER AND SERVICE LINE
11 INSTALLATION CHARGES?

12 A. No.

13 Q. DOES THE COMPANY HAVE AN EXISTING OFF-SITE-FACILITIES
14 HUF?

15 A. Yes. The existing off-site facilities HUF is used, and has been used for off-site
16 facilities to provide water production, delivery, storage and pressure to new
17 service connections. No change is proposed.

18 Q. DOES THAT CONCLUDE YOUR TESTIMONY?

19 A. Yes.
20
21
22
23
24
25
26

BOURASSA RESUME

Exhibit A
RESUME OF THOMAS J. BOURASSA, CPA

EDUCATIONAL BACKGROUND

B.S. Northern Arizona University Chemistry/Accounting (1980)
M.B.A. University of Phoenix with Emphasis in Finance (1991)
C.P.A. State of Arizona (1995)

EMPLOYMENT EXPERIENCE

1995 - Present	CPA - Self Employed Consultant to utilities on regulatory matters including all aspects of rate applications (rate base, income statement, cost of capital, cost of service, and rate design), rate reviews, certificates of convenience and necessity (CC&N), CC&N extensions, financing applications, accounting order applications, and off-site facilities hook-up fee applications. Provide expert testimony as required. Consult on various aspects of business, financial and accounting matters including best business practices, generally accepted accounting principles, project analysis, cash flow analysis, regulatory treatment of certain expenditures and investments, business valuations, and rate reviews.
1992-1995	Employed by High-Tech Institute, Phoenix, Arizona as Controller and C.F.O.
1989-1992	Employed by Alta Technical School, a division of University of Phoenix as Division Controller.
1985-1989	Employed by M.L.R. Builders, Tampa and Pensacola, Florida as Operations/Accounting Manager
1982-1985	Employed by and part owner in Area Sand and Clay Company, Pensacola, Florida.
1981-1982	Employed by Purdue University, West Lafayette, Indiana as Teaching Assistant.

SUMMARY OF REGULATORY WORK EXPERIENCE AS SELF EMPLOYED CONSULTANT

COMPANY/CLIENT

FUNCTION

ICR Water Users Association

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design.

Diamond Ventures – Verano

Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Valley Utilities

Financing Application.

Litchfield Park Service Company

Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and treatment.

Golden Shores Water Company

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Diablo Village Water Company

Off-site facilities hook-up fee application.

Utility Source, L.L.C.

Permanent Rate Application- Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Goodman Water Company

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, and Cost of Capital.

Links at Coyote Wash Utilities

Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

COMPANY/CLIENT

FUNCTION

New River Utilities

Extension Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.

Johnson Utilities

Extension of Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Bachmann Springs Utility

Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Avra Valley Co-Op

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Gold Canyon Sewer Company

Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Far West Water and Sewer Company

Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Black Mountain Sewer Company

Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Balterra Sewer Company

Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

COMPANY/CLIENT

Community Water Company

McClain Water Systems

Valley Utilities Water Company

Beardsley Water Company

Chaparral City Water Company

Pine Water Company, Inc.

Tierra Linda Home Owners Association

Diamond Ventures - Red Rock Utilities

FUNCTION

Permanent Rate Application - Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Certificate of Convenience and Necessity - Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Permanent Rate Application - Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.

Permanent Rate Application - Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, and Income Statement. Assisted in preparation Rate Design.

Interim and Permanent Rate Application, Financing Application - Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Cost of Capital, and Rate Design.

Certificate of Convenience and Necessity - Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Certificate of Convenience and Necessity - Water and Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

COMPANY/CLIENT

FUNCTION

Arizona-American Water Company, Inc.

Permanent Rate Application Water and Sewer (10 divisions). Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.

Bella Vista Water Company, Inc.

Permanent Rate Application - Water. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.

Green Valley Water Company

Permanent Rate Application. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.

Gold Canyon Sewer Company

Permanent Rate Application - Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.

Rio Verde Utilities, Inc.

Permanent Rate Application - Water and Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.

Chaparral City Water Company

Permanent Rate Application - Water. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.

Livco Water and Sewer Company

Permanent Rate Application - Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

<u>COMPANY/CLIENT</u>	<u>FUNCTION</u>
Cave Creek Sewer Company	Revenue Requirement, Rate Adjustment and Rate Design - Sewer.
Avra CO-OP, Inc.	Permanent Rate Application - Water. Assisted in preparation of Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Town of Oro Valley	Revenue Requirements, Water Rate Adjustments and Rate Design.
Far West Water Company (Water and Sewer)	Permanent Rate Application - Water. Assisted in preparation of schedules for Rate Base, Income Statement, Revenue Requirement, Lead-Lag Study, Cost of Capital, and Rate Design.
Sedona Venture Water and Sewer	Permanent Rate Application - Water and Sewer. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Vail Water Company	Permanent Rate Application. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
E&T Water Company	Permanent Rate Application - Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
New River Utility	Permanent Rate Application - Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Golden Shores Water	Permanent Rate Application - Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Ponderosa Utility Company	Permanent Rate Application - Water. Assisted in preparation of schedules for

COMPANY/CLIENT

FUNCTION

Rate Base, Plant, Income Statement, and
Rate Design.

BOURASSA SCHEDULES

A SCHEDULES

Chaparral City Water Company
Test Year Ended December 31, 2006
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Schedule A-1
Page 1
Witness: Bourassa

Line

No.

1	Fair Value Rate Base	\$ 28,736,406
2		
3	Adjusted Operating Income	797,271
4		
5	Current Rate of Return	2.77%
6		
7	Required Operating Income	\$ 2,678,233
8		
9	Required Rate of Return on Fair Value Rate Base	9.32%
10		
11	Operating Income Deficiency	\$ 1,880,962
12		
13	Gross Revenue Conversion Factor	1.6286
14		
15	Increase in Gross Revenue	
16	Requirement	\$ 3,063,400
17		

Customer Classification	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Residential, Commerical, Industrial				
3/4 Inch	\$ 3,524,021	\$ 4,808,421	\$ 1,284,400	36.45%
1 Inch	2,441,283	3,330,658	889,376	36.43%
1.5 Inch	172,583	235,468	62,886	36.44%
2 Inch	345,894	471,927	126,034	36.44%
3 Inch	24,229	33,058	8,829	36.44%
4 Inch	34,290	46,784	12,494	36.44%
Irrigation				
3/4 Inch	69,200	132,615	63,415	91.64%
1 Inch	178,745	355,164	176,419	98.70%
1.5 Inch	134,012	264,248	130,236	97.18%
2 Inch	161,987	318,701	156,713	96.74%
4 Inch	152,769	327,154	174,384	114.15%
6 Inch	322,475	696,965	374,491	116.13%
FH/Construction				
3/4 Inch	181	262	81	44.78%
1 Inch	1,357	2,361	1,004	74.03%
2 Inch	646	1,117	471	72.95%
3 Inch	84,704	125,981	41,277	48.73%
4 Inch	11,424	16,329	4,905	42.93%
Fire Sprinkler	5,770	5,774	4	0.06%
Reconciliation Amount GL Revenues	8,050	-	(8,050)	
Subtotal	\$ 7,673,618	\$ 11,172,987	\$ 3,499,369	45.60%
Revenue Annualization	(309,207)	(745,287)	(436,080)	141.03%
Miscellaneous Revenues	82,289	82,289	-	0.00%
Total of Water Revenues (a)	<u>\$ 7,446,700</u>	<u>\$ 10,509,989</u>	<u>\$ 3,063,289</u>	<u>41.14%</u>

SUPPORTING SCHEDULES:

B-1
C-1
C-3
H-1

Chaparral City Water Company
Test Year Ended December 31, 2006
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Bourassa

Line No.	Description	Prior Years Ended		Test Year		Projected Year	
		12/31/2004	12/31/2005	Actual 12/31/2006	Adjusted 12/31/2006	Present Rates 12/31/2007	Proposed Rates 12/31/2007
1	Gross Revenues	\$ 6,544,219	\$ 7,019,051	\$ 7,755,907	\$ 7,446,700	\$ 7,446,700	\$ 10,510,100
2							
3	Revenue Deductions and	5,564,193	6,348,548	6,679,517	6,649,429	6,649,429	7,831,867
4	Operating Expenses						
5							
6	Operating Income	\$ 980,026	\$ 670,503	\$ 1,076,390	\$ 797,271	\$ 797,271	\$ 2,678,233
7							
8	Other Income and	-	760,000	(91,835)	-	-	-
9	Deductions						
10							
11	Interest Expense	(472,619)	(478,806)	(543,433)	(367,737)	(367,737)	(367,737)
12							
13	Net Income	\$ 507,407	\$ 951,697	\$ 441,122	\$ 429,534	\$ 429,534	\$ 2,310,496
14							
15	Earned Per Average						
16	Common Share	1.10	2.07	0.96	0.93	0.93	5.02
17							
18	Dividends Per						
19	Common Share	-	-	-	-	-	-
20							
21	Payout Ratio	-	-	-	-	-	-
22							
23	Return on Average						
24	Invested Capital	1.04%	1.84%	0.82%	0.79%	0.78%	4.17%
25							
26	Return on Year End						
27	Capital	1.02%	1.78%	0.82%	0.79%	0.76%	4.08%
28							
29	Return on Average						
30	Common Equity	2.08%	3.78%	1.70%	1.66%	1.60%	8.33%
31							
32	Return on Year End						
33	Common Equity	2.06%	3.71%	1.69%	1.65%	1.57%	7.88%
34							
35	Times Bond Interest Earned						
36	Before Income Taxes	2.80	2.77	2.43	2.90	2.90	11.23
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	2.07	2.99	1.81	2.85	2.85	7.28
41							
42							
43	<u>SUPPORTING SCHEDULES</u>						
44	C-1						
45	E-2						
46	F-1						

Chaparral City Water Company
Test Year Ended December 31, 2006
Summary of Capital Structure

Exhibit
Schedule A-3
Page 1
Witness: Bourassa

Line No.	Description:	Prior Years Ended		Test Year	Projected Year
		12/31/2004	12/31/2005	12/31/2006	12/31/2007
1					
2					
3	Short-Term Debt	\$ 835,576	\$ 2,159,236	\$ 1,400,000	\$ 1,400,000
4					
5	Long-Term Debt	7,803,309	7,205,309	6,865,000	6,585,000
6					
7	Total Debt	\$ 8,638,885	\$ 9,364,545	\$ 8,265,000	\$ 7,985,000
8					
9					
10	Preferred Stock	-	-	-	-
11					
12	Common Equity	24,689,128	25,669,835	26,179,180	29,312,972
13					
14					
15	Total Capital & Debt	\$ 33,328,013	\$ 35,034,380	\$ 34,444,180	\$ 37,297,972
16					
17					
18	Capitalization Ratios:				
19					
20	Short-Term Debt	2.51%	6.16%	4.06%	3.75%
21					
22	Long-Term Debt	25.92%	26.73%	24.00%	21.41%
23					
24	Total Debt	25.92%	26.73%	24.00%	21.41%
25					
26					
27	Preferred Stock	-	-	-	-
28					
29	Common Equity	74.08%	73.27%	76.00%	78.59%
30					
31					
32	Total Capital	100.00%	100.00%	100.00%	100.00%
33					
34	Weighted Cost of				
35	Short-Term Debt	0.15%	0.38%	0.25%	0.23%
36					
37	Weighted Cost of				
38	Long-Term Debt	1.38%	1.42%	1.28%	1.14%
39					
40	Weighted Cost of				
41	Senior Capital	1.53%	1.80%	1.53%	1.37%
42					
43					
44	<u>SUPPORTING SCHEDULES:</u>				
45	E-1				
46	D-1				

Chaparral City Water Company
Test Year Ended December 31, 2006
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service
1				
4	Prior Year Ended 12/31/2004	4,069,806	4,584,139	43,264,290
5				
6	Prior Year Ended 12/31/2005	3,893,252	5,700,393	48,964,683
7				
8	Test Year Ended 12/31/2006	2,283,627	2,088,570	51,053,253
9				
10	Projected Year Ended 12/31/2007	4,137,000	4,332,057	55,385,310
11				
12				
13				
14				
15	<u>SUPPORTING SCHEDULES:</u>			
16	B-2			
17	E-5			
18	F-3			
19				
20				

Chaparral City Water Company
Test Year Ended December 31, 2006
Summary Statements of Cash Flows

Exhibit
Schedule A-5
Page 1
Witness: Bourassa

Line No.	Prior Year Ended 12/31/2004	Prior Year Ended 12/31/2005	Test Year Ended 12/31/2006	Projected Year Present Rates 12/31/2007	Projected Year Proposed Rates 12/31/2007
1					
2					
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B SCHEDULES

Chaparral City Water Company
Test Year Ended December 31, 2006
Summary of Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	RCND Rate base	Fair Value Rate Base (50/50)
1				
2	Gross Utility Plant in Service	\$ 51,771,885	\$ 80,783,568	\$ 66,277,727
3	Less: Accumulated Depreciation	15,877,022	25,894,686	20,885,854
4				
5	Net Utility Plant in Service	\$ 35,894,864	\$ 54,888,882	\$ 45,391,873
6				
7	<u>Less:</u>			
8	Advances in Aid of			
9	Construction	6,557,243	10,231,760	8,394,501
10	Contributions in Aid of			
11	Construction - Net of amortization	6,119,129	9,441,352	7,780,241
12	Customer Meter Deposits	819,845	819,845	819,845
13	Deferred Income Taxes & Credits	925,896	925,896	925,896
14	Investment tax Credits	-	-	-
15	Shared Gain on Well	646,000	646,000	646,000
16				
17	<u>Plus:</u>			
18	Unamortized Debt Issuance			
19	Costs	424,010	424,010	424,010
20	Prepayments	192,485	192,485	192,485
21	Materials and Supplies	14,521	14,521	14,521
22	Deferred Regulatory Assets	1,280,000	1,280,000	1,280,000
23	Allowance for Working Capital	-	-	-
24				
25				
26	Total Rate Base	<u>\$ 22,737,766</u>	<u>\$ 34,735,046</u>	<u>\$ 28,736,406</u>

27
28
29
30 SUPPORTING SCHEDULES:
31 B-2
32 B-3
33 B-5
34 E-1
35

RECAP SCHEDULES:
A-1

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Label	Adjustments Amount	Adjusted at end of Test Year
1	Gross Utility				
2	Plant in Service	\$ 51,020,714	2	751,171	\$ 51,771,885
3					
4	Less:				
5	Accumulated				
6	Depreciation	14,947,296	1,3	929,726	15,877,022
7					
8					
9	Net Utility Plant				
10	in Service	\$ 36,073,418			\$ 35,894,864
11					
12	Less:				
13	Advances in Aid of				
14	Construction	6,557,243			6,557,243
15					
16	Contributions in Aid of				
17	Construction - Net	6,188,963	4	(69,834)	6,119,129
18					
19	Customer Meter Deposits	819,845			819,845
20	Deferred Income Taxes	4,070,137	5	(3,144,241)	925,896
21	Investment Tax Credits	-			-
22	Shared Gain on Well	760,000	6	(114,000)	646,000
23					
24	Plus:				
25	Unamortized Debt Issuance				
26	Costs	424,010			424,010
27	Prepayments	192,485			192,485
28	Materials and Supplies	14,521			14,521
29	Deferred Regulatory Assets		7	1,280,000	1,280,000
30	Working capital	-			-
31					
32					
33	Total	<u>\$ 18,308,246</u>			<u>\$ 22,737,766</u>

SUPPORTING SCHEDULES:
B-2, pages 1-7
E-1

RECAP SCHEDULES:
B-1

Chaparral City Water Company
 Test Year Ended December 31, 2006
 Original Cost Rate Base Proforma Adjustments
 Adjustment 1

Exhibit
 Schedule B-2
 Page 2
 Witness: Bourassa

Line No.		
1	<u>Accumulated Depreciation Adjustment</u>	
2		
3	Computed Balance	\$ 15,473,834
4	Balance per Company Schedule E-1	14,947,296
5	Difference	<u>\$ 526,538</u>
6		
7		
8		
9		
10		
11	Increase (Decrease) to Accumulated Depreciation	<u>\$ 526,538</u>
12		
13		
14		
15	<u>SUPPORTING SCHEDULES</u>	
16	B-2, pages 3a-3d	
17		
18		
19		
20		

Exhibit
Schedule B-2
Page 3
Witness: Bourassa

[illegible]

Exhibit
Schedule B-2
Page 3a
Witness: Bourassa

Decision 68176		Per Staff					
Plant		2003		2004		2004	
At		Accum.		Plant		Plant	
12/31/2003		Depr.		Adjustments		Retirements	
(a)							
Account	Description	No.		2004	2004	2004	2004
				Plant	Adjusted Plant	Plant	Plant
				Additions	Additions	Retirements	Balance
301	Organization Cost		-	-	-	-	-
302	Franchise Cost		-	-	-	-	-
303	Land and Land Rights		271,857	34,063	34,063	-	305,920
304	Structures and Improvements		654,407	331,000	331,000	-	985,407
305	Collecting and Impounding Res.		6,548	82	-	-	6,548
306	Lake River and Other Intakes		-	-	-	-	-
307	Wells and Springs		154,902	-	-	-	332,065
308	Infiltration Galleries and Tunnels		-	-	-	-	-
309	Supply Mains		-	-	-	-	-
310	Power Generation Equipment		-	-	-	-	-
311	Electric Pumping Equipment		615,464	53,925	53,925	-	1,345,324
320	Water Treatment Equipment		1,671,939	1,961,851	1,961,851	-	7,622,424
330	Distribution Reservoirs & Standpipe		6,022,014	1,497,491	(1,296)	(1,296)	6,020,718
331	Transmission and Distribution Mains		15,991,782	348,845	348,845	-	16,340,627
333	Services		4,979,133	1,423,193	1,423,193	-	6,402,326
334	Meters		2,163,197	251,973	251,973	-	2,415,170
335	Hydrants		183,368	84,716	84,716	-	607,894
336	Backflow Prevention Devices		-	-	-	-	-
339	Other Plant and Miscellaneous Equipment		(0)	-	-	-	-
340	Office Furniture and Fixtures		19,192	43,730	43,730	-	226,541
341	Transportation Equipment		406,775	95,984	95,984	(65,224)	437,535
342	Stores Equipment		-	-	-	-	-
343	Tools and Work Equipment		88,004	4,936	4,936	-	92,940
344	Laboratory Equipment		25	-	-	-	-
345	Power Operated Equipment		-	-	-	-	-
346	Communications Equipment		(5,716)	-	-	-	39,105
347	Miscellaneous Equipment		16,832	16,445	-	-	83,748
348	Other Tangible Plant		-	-	16,445	-	1,888
	Plant Held for Future Use		-	-	-	-	-
	TOTAL WATER PLANT		38,680,151	11,566,265	4,650,660	(1,296)	43,264,290
	Depreciation		-	-	-	-	1,017,083
			-	-	-	-	1,017,083

Chaparral City Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3b
Witness: Bourassa

Account	No.	Description	2004 Depreciable Balance	2005 Plant Additions	2005 Plant Adjustments	2005 Adjusted Plant Additions	2005 Plant Retirements	2005 Plant Balance	2005 Depreciable Balance	2005 Depr.
	301	Organization Cost	-	-	-	-	-	-	-	-
	302	Franchise Cost	-	-	-	-	-	-	-	-
	303	Land and Land Rights	305,920	-	-	-	-	305,920	305,920	-
	304	Structures and Improvements	985,407	488,546	-	488,546	-	1,453,952	1,453,952	33,023
	305	Collecting and Impounding Res.	6,548	-	-	-	-	6,548	6,548	164
	306	Lake River and Other Intakes	-	-	-	-	-	-	-	-
	307	Wells and Springs	332,065	-	-	-	-	332,065	332,065	8,991
	308	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	-
	309	Supply Mains	-	-	-	-	-	-	-	-
	310	Power Generation Equipment	-	-	-	-	-	-	-	-
	311	Electric Pumping Equipment	1,345,324	106,361	-	106,361	(21,889)	1,429,796	1,429,796	69,378
	320	Water Treatment Equipment	7,622,424	130,344	-	130,344	-	7,752,767	7,752,767	208,142
	330	Distribution Reservoirs & Standpipe	6,020,718	2,031,546	-	2,031,546	(3,000)	8,049,264	8,049,264	170,950
	331	Transmission and Distribution Mains	16,340,627	191,647	-	191,647	-	16,532,274	16,532,274	390,366
	333	Services	6,402,326	536,187	-	536,187	-	6,938,513	6,938,513	180,602
	334	Meters	2,415,170	215,171	-	215,171	-	2,630,341	2,630,341	99,838
	335	Hydrants	607,894	263,983	-	263,983	-	871,877	871,877	17,572
	336	Backflow Prevention Devices	-	-	-	-	-	-	-	-
	339	Other Plant and Miscellaneous Equipment	-	1,610,687	-	1,610,687	-	1,610,687	1,610,687	28,529
	340	Office Furniture and Fixtures	226,541	24,735	-	24,735	(4,006)	247,269	247,269	8,392
	341	Transportation Equipment	437,535	120,595	-	120,595	(23,389)	534,741	534,741	33,422
	342	Stores Equipment	-	-	-	-	-	-	-	-
	343	Tools and Work Equipment	92,940	52,874	-	52,874	-	145,814	145,814	3,731
	344	Laboratory Equipment	-	-	-	-	-	-	-	-
	345	Power Operated Equipment	-	-	-	-	-	-	-	-
	346	Communications Equipment	39,105	-	-	-	-	39,105	39,105	1,711
	347	Miscellaneous Equipment	83,748	-	-	-	-	83,748	83,748	3,664
	348	Other Tangible Plant	-	-	-	-	-	-	-	-
		Plant Held for Future Use	-	-	-	-	-	-	-	-
		TOTAL WATER PLANT	43,264,290	5,752,677	-	5,752,677	(52,284)	48,964,683	48,964,683	1,258,474
		Depreciation	-	-	-	-	-	-	-	-

Exhibit
Schedule B-2
Page 3c
Witness: Bourassa

Account	2006 Plant Additions	2006 Plant Adjustments	2006 Adjusted Plant Additions	2006 Plant Retirements	2006 Plant Balance	2006 Depreciable Balance	2006 Deprec.
No. Description							
301 Organization Cost	-	-	-	-	-	-	-
302 Franchise Cost	-	-	-	-	-	-	-
303 Land and Land Rights	-	-	-	-	-	-	-
304 Structures and Improvements	70,236	-	70,236	(5,540)	305,920	305,920	-
305 Collecting and Impounding Res.	-	-	-	-	1,518,648	1,518,648	49,494
306 Lake River and Other Intakes	-	-	-	-	6,548	6,548	164
307 Wells and Springs	-	-	-	-	-	-	-
308 Infiltration Galleries and Tunnels	-	-	-	-	332,065	332,065	11,058
309 Supply Mains	-	-	-	-	-	-	-
310 Power Generation Equipment	-	-	-	-	-	-	-
311 Electric Pumping Equipment	77,112	-	77,112	-	1,506,908	1,506,908	183,544
320 Water Treatment Equipment	10,733	-	10,733	-	7,763,500	7,763,500	258,346
330 Distribution Reservoirs & Standpipe	121,156	-	121,156	-	8,170,420	8,170,420	180,038
331 Transmission and Distribution Mains	918,360	-	918,360	-	17,450,634	17,450,634	339,829
333 Services	453,417	-	453,417	(2,000)	7,389,930	7,389,930	238,569
334 Meters	95,332	-	95,332	-	2,725,673	2,725,673	223,078
335 Hydrants	299,756	-	299,756	-	1,171,633	1,171,633	20,435
336 Backflow Prevention Devices	-	-	-	-	-	-	-
339 Other Plant and Miscellaneous Equipment	-	-	-	-	1,610,687	1,610,687	107,433
340 Office Furniture and Fixtures	23,090	-	23,090	-	270,359	270,359	17,263
341 Transportation Equipment	573	-	573	-	535,315	535,315	107,006
342 Stores Equipment	-	-	-	-	-	-	-
343 Tools and Work Equipment	3,551	-	3,551	-	149,365	149,365	7,379
344 Laboratory Equipment	-	-	-	-	-	-	-
345 Power Operated Equipment	-	-	-	-	-	-	-
346 Communications Equipment	-	-	-	-	39,105	39,105	3,911
347 Miscellaneous Equipment	22,794	-	22,794	-	106,542	106,542	9,515
348 Other Tangible Plant	-	-	-	-	-	-	-
Plant Held for Future Use	-	-	-	-	-	-	-
TOTAL WATER PLANT	2,096,109	-	2,096,109	(7,540)	51,053,253	51,053,253	1,757,060
Depreciation							

Chaparral City Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3d
Witness: Bourassa

Account	No.	Description	Year End Accumulated Depreciation by Account			
			Dec-03 2003	Dec-04 2004	Dec-05 2005	Dec-06 2006
	301	Organization Cost	-	-	-	-
	302	Franchise Cost	-	-	-	-
	303	Land and Land Rights	-	-	-	-
	304	Structures and Improvements	260,486	280,984	314,007	357,961
	305	Collecting and Impounding Res.	82	246	409	573
	306	Lake River and Other Intakes	-	-	-	-
	307	Wells and Springs	154,902	163,204	172,194	183,252
	308	Infiltration Galleries and Tunnels	-	-	-	-
	309	Supply Mains	-	-	-	-
	310	Power Generation Equipment	-	-	-	-
	311	Electric Pumping Equipment	615,464	648,423	695,912	879,456
	320	Water Treatment Equipment	1,671,939	1,837,977	2,046,118	2,304,464
	330	Distribution Reservoirs & Standpipe	1,497,491	1,648,025	1,815,975	1,996,014
	331	Transmission and Distribution Mains	6,020,378	6,424,533	6,814,899	7,154,728
	333	Services	501,325	643,594	824,195	1,060,764
	334	Meters	610,618	667,847	767,685	990,763
	335	Hydrants	183,368	197,507	215,079	235,514
	336	Backflow Prevention Devices	-	-	-	-
	339	Other Plant and Miscellaneous Equipment	(0)	(0)	28,529	135,962
	340	Office Furniture and Fixtures	19,192	24,309	28,695	45,958
	341	Transportation Equipment	(1,732)	(56,402)	(46,369)	60,636
	342	Stores Equipment	-	-	-	-
	343	Tools and Work Equipment	21,609	23,870	27,601	34,980
	344	Laboratory Equipment	25	25	25	25
	345	Power Operated Equipment	-	-	-	-
	346	Communications Equipment	(5,716)	(4,738)	(3,027)	883
	347	Miscellaneous Equipment	16,832	18,720	22,384	31,899
	348	Other Tangible Plant	-	-	-	-
		Plant Held for Future Use	-	-	-	-
		TOTAL WATER PLANT	11,566,265	12,518,124	13,724,313	15,473,834
		Depreciation	-	-	-	-

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Schedule B-2
Page 4
Witness: Bourassa

Line No.	NARUC	NARUC Description	Accumulated Depreciation	4 Factor Allocation %	4 Factor Allocated Accumulated Depreciation
1	301	Organization Cost	3,046	3.21%	98
2	302	Franchise Cost and Other Intangible Plant	211,596	3.21%	6,792
3	303	Land and Land Rights	-	3.21%	-
4	304	Structures and Improvements	2,354,430	3.21%	75,577
5	305	Collecting and Impounding Res.	-	3.21%	-
6	306	Lake River and Other Intakes	-	3.21%	-
7	307	Wells and Springs	-	3.21%	-
8	308	Infiltration Galleries and Tunnels	-	3.21%	-
9	309	Supply Mains	-	3.21%	-
10	310	Power Generation Equipment	-	3.21%	-
11	311	Electric Pumping Equipment	-	3.21%	-
12	312	Water Treatment Equipment	-	3.21%	-
13	313	Distribution Reservoirs & Standpipe	-	3.21%	-
14	314	Transmission and Distribution Mains	-	3.21%	-
15	315	Services	-	3.21%	-
16	316	Meters	-	3.21%	-
17	317	Hydrants	-	3.21%	-
18	318	Backflow Prevention Devices	-	3.21%	-
19	319	Other Plant and Miscellaneous Equipment	162,569	3.21%	5,218
20	320	Office Furniture and Fixtures	8,664,647	3.21%	278,135
21	321	Transportation Equipment	552,718	3.21%	17,742
22	322	Stores Equipment	-	3.21%	-
23	323	Tools and Work Equipment	192,488	3.21%	6,179
24	324	Laboratory Equipment	4,062	3.21%	130
25	325	Power Operated Equipment	249,257	3.21%	8,001
26	326	Communications Equipment	165,561	3.21%	5,315
27	327	Miscellaneous Equipment	-	3.21%	-
28	328	Other Tangible Plant	-	3.21%	-
29			\$ 12,560,374		\$ 403,188
30					
31					
32					
33					
34					
35		Increase (Decrease) to Accumulated Depreciation			\$ 403,188
36					

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 4

Exhibit
Schedule B-2
Page 5
Witness: Bourassa

Line No.		
1	<u>Computation of CIAC Balances</u>	
2		
3	Balance at 12/31/2003 per Decision	\$ 273,476
4	Additions 2004	272,024
5	Balance at 12/31/2004	\$ 545,500
6	Additions 2005	405,152
7	Balance at 12/31/2005	\$ 950,652
8	Additions 2006	5,337,445
9	Balance at 12/31/2006	\$ 6,288,097
10		
11	<u>Computation of Accumulated Amortization CIAC Balances (Half-year Convention)</u>	
12		
13	Balance at 12/31/2003 per Decision	\$ 15,334
14	2004 Amortization at composite rate	10,237
15	Balance at 12/31/2004	\$ 25,571
16	2005 Amortization at composite rate	14,026
17	2005 Amortization at composite rate	4,807
18	Balance at 12/31/2005	\$ 44,404
19	2006 Amortization at composite rate	124,565
20	Balance at 12/31/2006	\$ 168,970
21		
22	A.A. Balance per Computation	\$ 168,970
23	Balance at End of Test Year	99,136
24	Adjustment to A.A. CIAC	\$ 69,834
25		
26		
27	Increase (Decrease) to Contributions-in-aid, Net	\$ (69,834)

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Schedule B-2
Page 6
Witness: Bourassa

Line No.	Remove Deferred Income Taxes Unrelated to Rate Base Items		
1	Deferred Income Taxes	\$	4,070,137
2	Less: Amounts related to Goodwill		
3	Amounts related to Other	3,119,603	
4	Amounts related to Other - D.T. Asset	(65,717)	
5	Total Reductions	90,355	
6			3,144,241
7	Deferred Income Taxes, Net	\$	925,896
8	Deferred Income Taxes per Company Schedule E-1		4,070,137
9	Difference	\$	(3,144,241)
10			
11			
12			
13			
14			
15			
16			
17	Increase (Decrease) to Deferred Income Taxes	\$	(3,144,241)
18			
19			
20			
21			
22			
23			

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 6

Exhibit
Schedule B-2
Page 7
Witness: Bourassa

Line No.	Computation of Amortization on Shared Gain on Well (using half-year convention)	
1		
2		
3		
4	Shared Gain on Well ¹	\$ 760,000 [1]
5	Amortization Period (years)	10 [2]
6	Annual Amortization	\$ 76,000 [3] = [1] divided by [2]
6	Number of years	1.5 [4]
7	Total Amortization	\$ 114,000 [5] = [3] times [4]
8		
9		
10		
11		
12		
13		
14	Increase (Decrease) to Shared Gain on Well	\$ (114,000)
15		
16		
17		
18		
19		
20		

¹ See testimony. Settlement executed February 2005.

Chaparral City Water Company
 Test Year Ended December 31, 2006
 Original Cost Rate Base Proforma Adjustments
 Adjustment 7

Exhibit
 Schedule B-2
 Page 8
 Witness: Bourassa

Line No.		
1	Purchase of Additional CAP Allocation of 1,931 acre feet	
2		
3		
4	CAP Allocation Cost	\$ 1,280,000
5		
6		
7		
8		
9		
10		
11		
12		
13		
14	Increase (Decrease) to Deferred Regulatory Assets	\$ 1,280,000
15		
16		
17		
18		
19		
20		

Chaparral City Water Company
Test Year Ended December 31, 2006
RCND Rate Base Proforma Adjustments

Exhibit
Schedule B-3
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Label	Adjustments Amount	Adjusted at end of Test Year
1	Gross Utility				
2	Plant in Service	\$ 79,791,440	2	992,128	\$ 80,783,568
3					
4	Less:				
5					
6	Accumulated				
7	Depreciation	<u>24,502,143</u>	1,3	1,392,543	<u>25,894,686</u>
8					
9	Net Utility Plant				
10	in Service	\$ 55,289,297			\$ 54,888,882
11					
12	Less:				
13	Advances in Aid of				
14	Construction	10,231,760			10,231,760
15					
16	Contributions in Aid of				
17	Construction - Net	9,548,138	4	(106,786)	9,441,352
18					
19	Customer Meter Deposits	819,845			819,845
20	Deferred Income Taxes	4,070,137	5	(3,144,241)	925,896
21	Investment Tax Credits	-			-
22	Shared Gain on Well	760,000	6	(114,000)	646,000
23					
24	Plus:				
25	Unamortized Debt Issuance				
26	Costs	424,010			424,010
27	Prepayments	192,485			192,485
28	Materials and Supplies	14,521			14,521
28	Deferred Regulatory Assets	-	7	1,280,000	1,280,000
29	Working capital	-			-
30					
31	Total	<u>\$ 30,490,434</u>			<u>\$ 34,735,046</u>

35 SUPPORTING SCHEDULES:
36 B-3, pages 1-7
37 B-4
38
39
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RECAP SCHEDULES:
B-1

Chaparral City Water Company
 Test Year Ended December 31, 2006
 RCND Rate Base Proforma Adjustments
 Adjustment 1

Exhibit
 Schedule B-3
 Page 2
 Witness: Bourassa

Line No.		
1	<u>Accumulated Depreciation Adjustment</u>	
2		
3	Amount Per B-2, Page 3	
4	RCN Factor (Ratio of RCN A/D to Original Cost A/D)	
5	Result	
6		\$ 526,538
7		1,6393
8	Increase (Decrease) to Accumulated Depreciation	\$ 863,150
9		
10		
11		
12		
13	<u>SUPPORTING SCHEDULE</u>	
14	B-2, Page 3	
15		
16		
17		
18		
19		
20		

Chaparral City Water Company
Test Year Ended December 31, 2006
RCND Rate Base Proforma Adjustments
Adjustment 2

Exhibit
Schedule B-3
Page 3
Witness: Bourassa

Line No.	General Office Plant Allocation - Plant-in-service	NARUC	NARUC Description	Trended RCN Value	4 Factor Allocation %	4 Factor Allocated Trended RCN
1		301	Organization Cost	16,452	3.21%	528
2		302	Franchise Cost and Other Intangible Plant	1,089,237	3.21%	34,965
3		303	Land and Land Rights	-	3.21%	-
4		304	Structures and Improvements	9,379,730	3.21%	301,089
5		305	Collecting and Impounding Res.	-	3.21%	-
6		306	Lake River and Other Intakes	-	3.21%	-
7		307	Wells and Springs	-	3.21%	-
8		308	Infiltration Galleries and Tunnels	-	3.21%	-
9		309	Supply Mains	-	3.21%	-
10		310	Power Generation Equipment	-	3.21%	-
11		311	Electric Pumping Equipment	(1,860)	3.21%	(60)
12		320	Water Treatment Equipment	-	3.21%	-
13		330	Distribution Reservoirs & Standpipe	-	3.21%	-
14		331	Transmission and Distribution Mains	-	3.21%	-
15		333	Services	-	3.21%	-
16		334	Meters	-	3.21%	-
17		335	Hydrants	-	3.21%	-
18		336	Backflow Prevention Devices	-	3.21%	-
19		339	Other Plant and Miscellaneous Equipment	1,055,403	3.21%	33,878
20		340	Office Furniture and Fixtures	17,188,237	3.21%	551,742
21		341	Transportation Equipment	606,575	3.21%	19,471
22		342	Stores Equipment	-	3.21%	-
23		343	Tools and Work Equipment	663,298	3.21%	21,292
24		344	Laboratory Equipment	15,358	3.21%	493
25		345	Power Operated Equipment	634,172	3.21%	20,357
26		346	Communications Equipment	260,818	3.21%	8,372
27		347	Miscellaneous Equipment	-	3.21%	-
28		348	Other Tangible Plant	-	3.21%	-
29						
30						
31						
32						
33						
34				\$ 30,907,420		\$ 992,128
35			Increase (Decrease) to Plant -in-service			\$ 992,128
36						

Chaparral City Water Company
Test Year Ended December 31, 2006
RCND Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Schedule B-3
Page 4
Witness: Bourassa

Line No.	NARUC	NARUC Description	Trended RCN Value Accum. Depr.	4 Factor Allocation %	4 Factor Allocated Trended RCN Accum. Depr.
1	301	Organization Cost	3,046	3.21%	98
2	302	Franchise Cost and Other Intangible Plant	211,596	3.21%	6,792
3	303	Land and Land Rights	-	3.21%	-
4	304	Structures and Improvements	3,805,726	3.21%	122,164
5	305	Collecting and Impounding Res.	-	3.21%	-
6	306	Lake River and Other Intakes	-	3.21%	-
7	307	Wells and Springs	-	3.21%	-
8	308	Infiltration Galleries and Tunnels	-	3.21%	-
9	309	Supply Mains	-	3.21%	-
10	310	Power Generation Equipment	-	3.21%	-
11	311	Electric Pumping Equipment	-	3.21%	-
12	320	Water Treatment Equipment	-	3.21%	-
13	330	Distribution Reservoirs & Standpipe	-	3.21%	-
14	331	Transmission and Distribution Mains	-	3.21%	-
15	333	Services	-	3.21%	-
16	334	Meters	-	3.21%	-
17	335	Hydrants	-	3.21%	-
18	336	Backflow Prevention Devices	-	3.21%	-
19	339	Other Plant and Miscellaneous Equipment	202,477	3.21%	6,500
20	340	Office Furniture and Fixtures	10,437,484	3.21%	335,043
21	341	Transportation Equipment	606,574	3.21%	19,471
22	342	Stores Equipment	-	3.21%	-
23	343	Tools and Work Equipment	314,752	3.21%	10,104
24	344	Laboratory Equipment	15,362	3.21%	493
25	345	Power Operated Equipment	634,162	3.21%	20,357
26	346	Communications Equipment	260,818	3.21%	8,372
27	347	Miscellaneous Equipment	-	3.21%	-
28	348	Other Tangible Plant	-	3.21%	-
29					
30					
31					
32					
33					
34					
35					
36					
37		Increase (Decrease) to Accumulated Depreciation	\$ 16,491,997		\$ 529,393
38					\$ 529,393

Chaparral City Water Company
 Test Year Ended December 31, 2006
 RCND Rate Base Proforma Adjustments
 Adjustment 4

Exhibit
 Schedule B-3
 Page 5
 Witness: Bourassa

Line No.		
1	CIAC adjustment	
2		
3	Amount Per B-2, Page 6	\$ (59,834)
4	RCN Factor (B-1 RCN Net Plant Base to B-1 Original Cost Net Plant Base)	1,5292
5	Result	\$ (106,786)
6		
7		
8	Increase (Decrease) to CIAC	\$ (106,786)
9		
10		
11		
12		
13	<u>SUPPORTING SCHEDULE</u>	
14	B-2, Page 6	
15		
16		
17		
18		
19		
20		

Chaparral City Water Company
 Test Year Ended December 31, 2006
 RCND Rate Base Proforma Adjustments
 Adjustment 5

Exhibit
 Schedule B-3
 Page 6
 Witness: Bourassa

Line No.	Deferred Income Tax Adjustment	
1		
2		
3	Amount Per B-2, Page 6	
4	RCN Factor	\$ (3,144,241)
5	Result	1.0000
6		\$ (3,144,241)
7		
8	Increase (Decrease) to Deferred Taxes	\$ (3,144,241)
9		
10		
11		
12		
13	<u>SUPPORTING SCHEDULE</u>	
14	B-2, Page 7	
15		
16		
17		
18		
19		
20		

Chaparral City Water Company
 Test Year Ended December 31, 2006
 Original Cost Rate Base Proforma Adjustments
 Adjustment 6

Exhibit
 Schedule B-3
 Page 7
 Witness: Bourassa

Line No.		
1	Computation of Amortization on Shared Gain on Well (using half-year convention)	
2		
3		
4	Amount per B-2, page 7	\$ (114,000)
5	RCN Factor	1,0000
6	Result	\$ (114,000)
7		
8		
9	Increase (Decrease) to Shared Gain on Well	\$ (114,000)
10		
11		
12		
13		
14	<u>SUPPORTING SCHEDULE</u>	
15	B-2, Page 8	
16		
17		
18		
19		
20		

Chaparral City Water Company
 Test Year Ended December 31, 2006
 Original Cost Rate Base Proforma Adjustments
 Adjustment 7

Exhibit
 Schedule B-3
 Page 8
 Witness: Bourassa

Line No.		
1	<u>Purchase of Additional CAP Allocation of 1,931 acre feet</u>	
2		
3		
4	Amount per B-2, page 7	\$ 1,280,000
5	RCN Factor	1.0000
6	Result	\$ 1,280,000
7		
8		
9	Increase (Decrease) to Deferred Regulatory Assets	\$ 1,280,000
10		
11		
12		
13		
14	<u>SUPPORTING SCHEDULE</u>	
15	B-2, Page 8	
16		
17		
18		
19		
20		

Chaparral City Water Company
Trended Reconstruction Cost Plant
Test Year Ended December 31, 2006

Exhibit
Schedule B-4
Witness: Bourassa

Class	Class Description	NARUC	NARUC Description	Yr.	Month	Month	Original Cost	Source	HW155	Base	Index	Factor	RCN Cost
307	Land, Cap Easements	303	Land and Land Rights	2000	07	12	271,857	NONE		0	0	1	271,857
321	Pumping Structures and Improvements	303 Total	Land and Land Rights	1982	01	12	271,857						271,857
321	Pumping Structures and Improvements	304	Structure and Improvements	1982	01	12	3,628	HW155	304	434	226	1.9204	6,967
321	Pumping Structures and Improvements	304	Structure and Improvements	1996	01	12	48,948	HW155	304	434	307	1.4137	69,198
321	Pumping Structures and Improvements	304	Structure and Improvements	1999	07	12	2,479	HW155	304	434	324	1.3395	3,321
321	Pumping Structures and Improvements	304	Structure and Improvements	2004	01	06	2,258	HW155	304	434	276	1.5725	3,550
321	Pumping Structures and Improvements	304	Structure and Improvements	2005	01	06	132,731	HW155	304	434	414	1.0483	139,142
331	WT Structures and Improvements	304	Structures and Improvements	2002	07	12	768	HW155	304	434	365	1.189	913
331	WT Structures and Improvements	304	Structures and Improvements	2003	07	12	22,954	HW155	304	434	364	1.1923	27,368
331	WT Structures and Improvements	304	Structures and Improvements	2004	07	12	1,781	HW155	304	434	393	1.1043	1,967
331	WT Structures and Improvements	304	Structures and Improvements	2005	01	06	28,481	HW155	304	434	414	1.0483	29,857
331	WT Structures and Improvements	304	Structures and Improvements	2005	07	12	408,550	HW155	304	434	418	1.0383	424,197
341	TD Structures and Improvements	304	Structures and Improvements	2006	07	12	54,878	HW155	304	434	434	1	54,878
341	TD Structures and Improvements	304	Structures and Improvements	1975	01	12	8,493	HW155	304	434	136	3.1912	27,103
341	TD Structures and Improvements	304	Structures and Improvements	2004	01	06	1,130	HW155	304	434	276	1.5725	1,777
371	General Structure and Improvements	304	Structures and Improvements	1985	01	12	541	HW155	304	434	241	1.8008	974
371	General Structure and Improvements	304	Structures and Improvements	1986	01	12	337,768	HW155	304	434	246	1.7642	595,890
371	General Structure and Improvements	304	Structures and Improvements	1995	01	12	9,501	HW155	304	434	299	1.4515	13,790
371	General Structure and Improvements	304	Structures and Improvements	1996	01	12	115,690	HW155	304	434	307	1.4137	163,466
371	General Structure and Improvements	304	Structures and Improvements	1997	01	12	2,740	HW155	304	434	314	1.3822	3,787
371	General Structure and Improvements	304	Structures and Improvements	1998	01	06	19,231	HW155	304	434	316	1.3734	26,412
371	General Structure and Improvements	304	Structures and Improvements	2000	01	06	2,683	HW155	304	434	329	1.3191	3,539
371	General Structure and Improvements	304	Structures and Improvements	2003	07	12	73,503	HW155	304	434	364	1.1923	87,638
371	General Structure and Improvements	304	Structures and Improvements	2004	01	06	39,188	HW155	304	434	276	1.5725	61,622
371	General Structure and Improvements	304	Structures and Improvements	2004	07	12	143,638	HW155	304	434	393	1.1043	158,620
371	General Structure and Improvements	304	Structures and Improvements	2005	01	06	41,789	HW155	304	434	414	1.0483	43,807
371	General Structure and Improvements	304	Structures and Improvements	2006	01	06	10,671	HW155	304	434	424	1.0236	10,923
371	General Structure and Improvements	304	Structures and Improvements	2006	07	12	4,687	HW155	304	434	434	1	4,687
304 Total	Structures and Improvements	304 Total	Structures and Improvements				1,518,648						1,966,394
315	SS Wells	307	Wells and Springs	1971	01	12	49,329	HW155	305	383	88	4.3523	214,895
315	SS Wells	307	Wells and Springs	1972	01	12	54,139	HW155	305	383	94	4.0745	220,589
315	SS Wells	307	Wells and Springs	1973	01	12	2,735	HW155	305	383	100	3.83	10,475
315	SS Wells	307	Wells and Springs	1974	01	12	80,987	HW155	305	383	120	3.1917	258,486
315	SS Wells	307	Wells and Springs	1982	01	12	20,245	HW155	305	383	216	1.7731	35,896
315	SS Wells	307	Wells and Springs	1986	01	12	8,999	HW155	305	383	238	1.6092	14,481
315	SS Wells	307	Wells and Springs	1996	01	12	108,047	HW155	305	383	287	1.3345	144,188
315	SS Wells	307	Wells and Springs	1998	01	06	1,655	HW155	305	383	298	1.2852	2,127
315	SS Wells	307	Wells and Springs	1999	01	06	2,500	HW155	305	383	305	1.2557	3,139
315	SS Wells	307	Wells and Springs	2000	01	06	3,429	HW155	305	383	312	1.2276	4,210
307 Total	Wells and Springs	307 Total	Wells and Springs				332,065						908,287
324	Pumping Equipment	311	Electric Pumping Equipment	1972	01	12	9,897	HW155	311	619	96	6.4479	63,815
324	Pumping Equipment	311	Electric Pumping Equipment	1973	01	12	48,255	HW155	311	619	100	6.19	298,898
324	Pumping Equipment	311	Electric Pumping Equipment	1974	01	12	74,696	HW155	311	619	122	5.0738	378,983
324	Pumping Equipment	311	Electric Pumping Equipment	1975	01	12	16,868	HW155	311	619	155	3.9835	67,362
324	Pumping Equipment	311	Electric Pumping Equipment	1978	01	12	15,276	HW155	311	619	192	3.224	49,250
324	Pumping Equipment	311	Electric Pumping Equipment	1979	01	12	48,180	HW155	311	619	205	3.0195	145,480
324	Pumping Equipment	311	Electric Pumping Equipment	1980	01	12	3,955	HW155	311	619	222	2.7883	11,028
324	Pumping Equipment	311	Electric Pumping Equipment	1981	01	12	30,920	HW155	311	619	245	2.5265	78,119
324	Pumping Equipment	311	Electric Pumping Equipment	1982	01	12	2,717	HW155	311	619	260	2.3808	6,469
324	Pumping Equipment	311	Electric Pumping Equipment	1985	01	12	34,865	HW155	311	619	282	2.195	76,529

Chaparral City Water Company
Trended Reconstruction Cost Plant
Test Year Ended December 31, 2006

Exhibit
Schedule B-4
Witness: Bourassa

Class	Class Description	NARUC	NARUC Description	Yr.	Month	Month	Original Cost	Source	HW155	Base	Index	Factor	RCN Cost
324	Pumping Equipment	311	Electric Pumping Equipment	1986	01	12	104,906	HW155	311	619	284	2.1796	228,653
324	Pumping Equipment	311	Electric Pumping Equipment	1987	01	12	496,107	HW155	311	619	299	2.0702	1,027,041
324	Pumping Equipment	311	Electric Pumping Equipment	1988	01	12	18,061	HW155	311	619	330	1.8758	33,879
324	Pumping Equipment	311	Electric Pumping Equipment	1989	01	12	4,845	HW155	311	619	386	1.6036	7,770
324	Pumping Equipment	311	Electric Pumping Equipment	1996	01	12	11,862	HW155	311	619	450	1.3756	16,317
324	Pumping Equipment	311	Electric Pumping Equipment	1998	07	12	226,168	HW155	311	619	486	1.2737	288,071
324	Pumping Equipment	311	Electric Pumping Equipment	1999	07	12	1,218	HW155	311	619	499	1.2405	1,510
324	Pumping Equipment	311	Electric Pumping Equipment	2000	01	06	13,555	HW155	311	619	523	1.1836	16,044
324	Pumping Equipment	311	Electric Pumping Equipment	2002	07	12	1,094	HW155	311	619	533	1.1614	1,270
324	Pumping Equipment	311	Electric Pumping Equipment	2003	07	12	82,771	HW155	311	619	546	1.1337	93,838
324	Pumping Equipment	311	Electric Pumping Equipment	2003	07	12	23,294	HW155	311	619	546	1.1337	26,408
324	Pumping Equipment	311	Electric Pumping Equipment	2004	01	06	11,447	HW155	311	619	547	1.1316	12,954
324	Pumping Equipment	311	Electric Pumping Equipment	2004	07	12	40,174	HW155	311	619	569	1.0879	43,705
324	Pumping Equipment	311	Electric Pumping Equipment	2005	01	06	42,698	HW155	311	619	604	1.0248	43,757
324	Pumping Equipment	311	Electric Pumping Equipment	2005	07	12	65,967	HW155	311	619	611	1.0131	66,831
324	Pumping Equipment	311	Electric Pumping Equipment	2006	07	12	77,112	HW155	311	619	619	1	77,112
311	Total	311	Electric Pumping Equipment				1,508,908						3,160,902
320	Water Treatment Equipment	320	Water Treatment Equipment	1986	01	12	1,320,562	HW155	320	444	269	1.6506	2,179,720
320	Water Treatment Equipment	320	Water Treatment Equipment	1987	01	12	286,612	HW155	320	444	275	1.6145	485,965
320	Water Treatment Equipment	320	Water Treatment Equipment	1989	01	12	404,880	HW155	320	444	289	1.5363	622,018
320	Water Treatment Equipment	320	Water Treatment Equipment	1993	01	12	19,999	HW155	320	444	317	1.4006	28,011
320	Water Treatment Equipment	320	Water Treatment Equipment	1994	01	12	39,774	HW155	320	444	319	1.3918	53,965
320	Water Treatment Equipment	320	Water Treatment Equipment	1995	01	12	20,119	HW155	320	444	326	1.362	27,402
320	Water Treatment Equipment	320	Water Treatment Equipment	1996	01	12	9,973	HW155	320	444	337	1.3175	13,008
320	Water Treatment Equipment	320	Water Treatment Equipment	1997	01	12	8,493	HW155	320	444	348	1.2759	10,837
320	Water Treatment Equipment	320	Water Treatment Equipment	1998	01	06	4,088	HW155	320	444	353	1.2578	5,142
320	Water Treatment Equipment	320	Water Treatment Equipment	1998	07	12	242,678	HW155	320	444	357	1.2437	301,819
320	Water Treatment Equipment	320	Water Treatment Equipment	1999	01	06	3,037,671	HW155	320	444	365	1.2164	3,695,023
320	Water Treatment Equipment	320	Water Treatment Equipment	2000	01	06	155,741	HW155	320	444	367	1.2098	188,415
320	Water Treatment Equipment	320	Water Treatment Equipment	2000	01	06	46,178	HW155	320	444	372	1.1935	55,113
320	Water Treatment Equipment	320	Water Treatment Equipment	2002	07	12	2,354	HW155	320	444	403	1.1017	2,593
320	Water Treatment Equipment	320	Water Treatment Equipment	2003	07	12	54,864	HW155	320	444	406	1.0936	59,999
320	Water Treatment Equipment	320	Water Treatment Equipment	2003	07	12	5,686	HW155	320	444	406	1.0936	6,218
320	Water Treatment Equipment	320	Water Treatment Equipment	2004	01	06	1,935,527	HW155	320	444	413	1.0751	2,080,885
320	Water Treatment Equipment	320	Water Treatment Equipment	2004	07	12	26,325	HW155	320	444	416	1.0673	28,096
320	Water Treatment Equipment	320	Water Treatment Equipment	2005	01	06	83,935	HW155	320	444	431	1.0302	86,470
320	Water Treatment Equipment	320	Water Treatment Equipment	2005	07	12	46,409	HW155	320	444	432	1.0278	47,699
320	Water Treatment Equipment	320	Water Treatment Equipment	2006	07	12	10,733	HW155	320	444	444	1	10,733
320	Total	320	Water Treatment Equipment				7,763,500						9,969,130
312	SS Coll & Imp Resv	330	Distribution Reservoirs	1979	01	12	5,416	HW155	330	375	178	2.1067	11,410
312	SS Coll & Imp Resv	330	Distribution Reservoirs	1986	01	12	131,201	HW155	330	375	184	2.038	267,388
312	SS Coll & Imp Resv	330	Distribution Reservoirs	1987	01	12	843,973	HW155	330	375	196	1.9133	1,614,773
312	SS Coll & Imp Resv	330	Distribution Reservoirs	1989	01	12	25,226	HW155	330	375	216	1.7361	43,795
312	SS Coll & Imp Resv	330	Distribution Reservoirs	1990	01	12	1,173	HW155	330	375	229	1.6376	1,921
316	SS Supply Mains	330	Distribution Reservoirs	1986	01	12	337,654	HW155	331	419	239	1.7531	591,941
316	SS Supply Mains	330	Distribution Reservoirs	1987	01	12	1,767,382	HW155	331	419	245	1.7102	3,022,577
316	SS Supply Mains	330	Distribution Reservoirs	1989	01	12	14,258	HW155	331	419	262	1.5992	22,801
316	SS Supply Mains	330	Distribution Reservoirs	2005	07	12	1,381,264	HW155	331	419	382	1.0969	1,515,108
316	SS Supply Mains	330	Distribution Reservoirs	2006	07	12	121,156	HW155	331	419	382	1	121,156
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1971	01	12	5,666	HW155	330	375	82	4.5732	25,912

Chaparral City Water Company
Trended Reconstruction Cost Plant
Test Year Ended December 31, 2006

Exhibit
Schedule B-4
Witness: Bourassa

Class	Class Description	NARUC	NARUC Description	Yr.	Month	Month	Original Cost	Source	HWI55	Base	Index	Factor	RCN Cost
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1972	01	12	160,520	HWI55	330	375	85	4.4118	708,182
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1973	01	12	51,364	HWI55	330	375	100	3.75	192,616
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1974	01	12	141,088	HWI55	330	375	140	2.6786	377,918
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1975	01	12	13,689	HWI55	330	375	159	2.3585	32,286
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1976	01	12	8,847	HWI55	330	375	173	2.1676	19,177
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1977	01	12	40,530	HWI55	330	375	178	2.1067	85,385
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1978	01	12	21,151	HWI55	330	375	246	1.5244	32,242
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1979	01	12	14,331	HWI55	330	375	250	1.5	21,497
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1980	01	12	1,517,872	HWI55	330	375	251	1.494	2,267,701
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1981	01	12	209,009	HWI55	330	375	255	1.4706	307,369
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1982	01	12	1,650	HWI55	330	375	268	1.3993	2,309
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1983	01	12	684,186	HWI55	330	375	268	1.3993	957,382
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1984	01	12	4,475	HWI55	330	375	268	1.3993	6,263
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1985	01	12	7,025	HWI55	330	375	268	1.3993	9,830
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1986	01	12	11,328	HWI55	330	375	268	1.3993	15,851
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1987	01	12	5,252	HWI55	330	375	268	1.3993	7,252
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1988	01	12	38,392	HWI55	330	375	329	1.1398	43,758
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1989	01	12	611,889	HWI55	330	375	338	1.1095	678,891
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1990	01	12	8,176,967	HWI55	330	375	338	1.1095	13,002,689
343	TD Mains	331	Transmission and Distribution Mains	1972	01	12	708,606	HWI55	331	420	98	4.2857	3,041,159
343	TD Mains	331	Transmission and Distribution Mains	1973	01	12	1,166,779	HWI55	331	420	100	4.2	4,900,472
343	TD Mains	331	Transmission and Distribution Mains	1974	01	12	678,165	HWI55	331	420	133	3.1579	2,141,577
343	TD Mains	331	Transmission and Distribution Mains	1975	01	12	300,104	HWI55	331	420	151	2.7815	834,739
343	TD Mains	331	Transmission and Distribution Mains	1976	01	12	326,446	HWI55	331	420	179	2.3464	765,973
343	TD Mains	331	Transmission and Distribution Mains	1977	01	12	203,567	HWI55	331	420	183	2.1762	443,003
343	TD Mains	331	Transmission and Distribution Mains	1978	01	12	317,685	HWI55	331	420	209	2.0096	638,420
343	TD Mains	331	Transmission and Distribution Mains	1979	01	12	108,464	HWI55	331	420	224	1.875	203,370
343	TD Mains	331	Transmission and Distribution Mains	1980	01	12	78,620	HWI55	331	420	239	1.7573	138,159
343	TD Mains	331	Transmission and Distribution Mains	1981	01	12	3,173	HWI55	331	420	246	1.7073	5,417
343	TD Mains	331	Transmission and Distribution Mains	1982	01	12	11,614	HWI55	331	420	248	1.6935	19,668
343	TD Mains	331	Transmission and Distribution Mains	1983	01	12	525,917	HWI55	331	420	245	1.7143	901,579
343	TD Mains	331	Transmission and Distribution Mains	1984	01	12	249,490	HWI55	331	420	252	1.6667	415,825
343	TD Mains	331	Transmission and Distribution Mains	1985	01	12	761,669	HWI55	331	420	272	1.5441	1,176,093
343	TD Mains	331	Transmission and Distribution Mains	1986	01	12	330,022	HWI55	331	420	275	1.5273	504,043
343	TD Mains	331	Transmission and Distribution Mains	1987	01	12	62,532	HWI55	331	420	286	1.4685	91,828
343	TD Mains	331	Transmission and Distribution Mains	1988	01	12	190,407	HWI55	331	420	290	1.4483	275,766
343	TD Mains	331	Transmission and Distribution Mains	1989	01	12	28,039	HWI55	331	420	288	1.4583	40,889
343	TD Mains	331	Transmission and Distribution Mains	1990	01	12	1,523,667	HWI55	331	420	293	1.4334	2,184,024
343	TD Mains	331	Transmission and Distribution Mains	1991	01	12	3,035,357	HWI55	331	420	299	1.4047	4,263,766
343	TD Mains	331	Transmission and Distribution Mains	1992	01	12	667,653	HWI55	331	420	301	1.3953	931,576
343	TD Mains	331	Transmission and Distribution Mains	1993	01	12	896,584	HWI55	331	420	300	1.4	1,258,017
343	TD Mains	331	Transmission and Distribution Mains	1994	01	12	671,371	HWI55	331	420	313	1.3419	900,912
343	TD Mains	331	Transmission and Distribution Mains	1995	01	12	1,840,984	HWI55	331	420	306	1.3725	2,526,723
343	TD Mains	331	Transmission and Distribution Mains	1996	01	12	1,268,184	HWI55	331	420	308	1.3636	1,729,295
343	TD Mains	331	Transmission and Distribution Mains	1997	01	12	33,705	HWI55	331	420	342	1.2281	41,393
343	TD Mains	331	Transmission and Distribution Mains	1998	01	12	422,409	HWI55	331	420	357	1.1765	496,965
343	TD Mains	331	Transmission and Distribution Mains	1999	01	12	7,371	HWI55	331	420	390	1.0769	7,938
343	TD Mains	331	Transmission and Distribution Mains	2000	01	12	178,758	HWI55	331	420	392	1.0714	191,522
343	TD Mains	331	Transmission and Distribution Mains	2001	01	12	970	HWI55	331	420	410	1.0244	993
343	TD Mains	331	Transmission and Distribution Mains	2002	01	12	849,343	HWI55	331	420	420	1	849,343

Chaparral City Water Company
Trended Reconstruction Cost Plant
Test Year Ended December 31, 2006

Exhibit
Schedule B-4
Witness: Bourassa

Class	Class Description	NARUC	NARUC Description	Vin. Yr.	Month	Month	Original Cost	Source	HW155	Base	Index	Factor	RCN Cost
345	TD Services	333	Services	1981	01	12	17,450,634	62 HW155	333	362	192	1.8854	31,920,448
345	TD Services	333	Services	1983	01	12		10,829 HW155	333	362	207	1.7488	18,938
345	TD Services	333	Services	1984	01	12		34,831 HW155	333	362	211	1.7156	59,756
345	TD Services	333	Services	1985	01	12		68,555 HW155	333	362	221	1.7156	117,613
345	TD Services	333	Services	1986	01	12		65,741 HW155	333	362	222	1.6306	107,197
345	TD Services	333	Services	1987	01	12		38,078 HW155	333	362	227	1.5947	60,723
345	TD Services	333	Services	1989	01	12		40,664 HW155	333	362	224	1.6161	65,717
345	TD Services	333	Services	1990	01	12		12,765 HW155	333	362	229	1.5808	20,179
345	TD Services	333	Services	1993	01	12		32,034 HW155	333	362	254	1.4252	45,655
345	TD Services	333	Services	1994	01	12		13,580 HW155	333	362	255	1.4196	19,279
345	TD Services	333	Services	1995	01	12		31,324 HW155	333	362	257	1.4086	44,122
345	TD Services	333	Services	1996	01	12		42,984 HW155	333	362	263	1.3764	59,164
345	TD Services	333	Services	1997	01	12		443,656 HW155	333	362	266	1.3609	603,771
345	TD Services	333	Services	1998	01	06		555,186 HW155	333	362	268	1.3507	755,292
345	TD Services	333	Services	1998	07	12		445,673 HW155	333	362	261	1.387	618,148
345	TD Services	333	Services	1999	01	06		535,914 HW155	333	362	271	1.3358	715,874
345	TD Services	333	Services	1999	07	12		1,043,462 HW155	333	362	274	1.3212	1,378,621
345	TD Services	333	Services	2000	01	06		589,090 HW155	333	362	278	1.3022	767,113
345	TD Services	333	Services	2002	07	12		410,799 HW155	333	362	297	1.2189	500,723
345	TD Services	333	Services	2003	01	06		498,719 HW155	333	362	299	1.2107	603,799
345	TD Services	333	Services	2003	07	12		60,228 HW155	333	362	303	1.1947	71,954
345	TD Services	333	Services	2004	01	06		608,465 HW155	333	362	307	1.1792	717,502
345	TD Services	333	Services	2004	07	12		711,931 HW155	333	362	315	1.1492	818,151
345	TD Services	333	Services	2005	01	06		290,655 HW155	333	362	338	1.071	311,292
345	TD Services	333	Services	2005	07	12		353,422 HW155	333	362	341	1.0616	375,193
345	TD Services	333	Services	2006	01	06		24,237 HW155	333	362	349	1.0372	25,138
345	TD Services	333	Services	2006	07	12		423,047 HW155	333	362	362	1	423,047
333	Total	333	Services				7,389,930						9,304,078
346	TD Meters	334	Meters	1972	01	12		16,674 HW155	334	428	94	4.5532	75,920
346	TD Meters	334	Meters	1973	01	12		31,632 HW155	334	428	100	4.28	135,385
346	TD Meters	334	Meters	1974	01	12		27,924 HW155	334	428	118	3.6271	101,283
346	TD Meters	334	Meters	1975	01	12		5,379 HW155	334	428	129	3.3178	17,846
346	TD Meters	334	Meters	1978	01	12		28,477 HW155	334	428	162	2.642	75,237
346	TD Meters	334	Meters	1979	01	12		9,052 HW155	334	428	174	2.4598	22,266
346	TD Meters	334	Meters	1980	01	12		30,569 HW155	334	428	190	2.2526	68,860
346	TD Meters	334	Meters	1981	01	12		21,307 HW155	334	428	202	2.1188	45,145
346	TD Meters	334	Meters	1982	01	12		15,396 HW155	334	428	219	1.9543	30,088
346	TD Meters	334	Meters	1983	01	12		28,803 HW155	334	428	235	1.8213	52,459
346	TD Meters	334	Meters	1984	01	12		41,088 HW155	334	428	241	1.7759	72,968
346	TD Meters	334	Meters	1985	01	12		69,519 HW155	334	428	239	1.7908	124,495
346	TD Meters	334	Meters	1986	01	12		66,881 HW155	334	428	248	1.7258	115,422
346	TD Meters	334	Meters	1987	01	12		65,962 HW155	334	428	253	1.6917	111,588
346	TD Meters	334	Meters	1989	01	12		63,812 HW155	334	428	260	1.6462	105,047
346	TD Meters	334	Meters	1990	01	12		23,578 HW155	334	428	266	1.609	37,937
346	TD Meters	334	Meters	1993	01	12		120,516 HW155	334	428	297	1.4411	173,675
346	TD Meters	334	Meters	1994	01	12		126,958 HW155	334	428	300	1.4267	181,131
346	TD Meters	334	Meters	1995	01	12		186,778 HW155	334	428	306	1.3987	261,246
346	TD Meters	334	Meters	1996	01	12		551,168 HW155	334	428	318	1.3459	741,817
346	TD Meters	334	Meters	1997	01	12		148,638 HW155	334	428	322	1.3292	197,569

Chaparral City Water Company
Trended Reconstruction Cost Plant
Test Year Ended December 31, 2006

Exhibit
Schedule B-4
Witness: Bourassa

Class	Class Description	NARUC	NARUC Description	Yn. Yr.	Month	Month	Original Cost	Source	HW155	Base	Index	Factor	RCN Cost
346	TD Meters	334	Meters	1996	07	12	162,736	HW155	334	428	322	1.3292	216,308
346	TD Meters	334	Meters	1999	01	06	1,869	HW155	334	428	329	1.3009	2,432
346	TD Meters	334	Meters	1999	07	12	250,740	HW155	334	428	332	1.2892	323,254
346	TD Meters	334	Meters	2000	01	06	6,142	HW155	334	428	336	1.2738	7,824
346	TD Meters	334	Meters	2003	07	12	58,043	HW155	334	428	367	1.1662	67,690
346	TD Meters	334	Meters	2003	07	12	3,556	HW155	334	428	367	1.1662	4,147
346	TD Meters	334	Meters	2004	07	12	251,973	HW155	334	428	377	1.1353	286,065
346	TD Meters	334	Meters	2005	07	12	215,171	HW155	334	428	398	1.0754	231,395
346	TD Meters	334	Meters	2006	07	12	95,332	HW155	334	428	428	1	95,332
334 Total							2,725,673						3,981,833
348	TD Hydrants	335	Hydrants	1971	01	12	4,849	HW155	335	610	91	6.7033	32,504
348	TD Hydrants	335	Hydrants	1972	01	12	63,342	HW155	335	610	95	6.4211	406,725
348	TD Hydrants	335	Hydrants	1973	01	12	50,104	HW155	335	610	100	6.1	305,634
348	TD Hydrants	335	Hydrants	1974	01	12	22,529	HW155	335	610	126	4.8413	109,070
348	TD Hydrants	335	Hydrants	1975	01	12	10,310	HW155	335	610	150	4.0667	41,928
348	TD Hydrants	335	Hydrants	1978	01	12	25,269	HW155	335	610	192	3.1771	80,282
348	TD Hydrants	335	Hydrants	1979	01	12	3,946	HW155	335	610	206	2.9612	11,685
348	TD Hydrants	335	Hydrants	1980	01	12	14,854	HW155	335	610	220	2.7727	41,186
348	TD Hydrants	335	Hydrants	1981	01	12	10,420	HW155	335	610	235	2.5957	27,046
348	TD Hydrants	335	Hydrants	1982	01	12	7,898	HW155	335	610	260	2.3462	18,530
348	TD Hydrants	335	Hydrants	1983	01	12	3,541	HW155	335	610	278	2.1942	7,770
348	TD Hydrants	335	Hydrants	1984	01	12	2,033	HW155	335	610	280	2.1786	4,429
348	TD Hydrants	335	Hydrants	1985	01	12	3,405	HW155	335	610	287	2.1254	7,237
348	TD Hydrants	335	Hydrants	1986	01	12	9,745	HW155	335	610	297	2.0539	20,016
348	TD Hydrants	335	Hydrants	1987	01	12	1,305	HW155	335	610	309	1.9741	2,577
348	TD Hydrants	335	Hydrants	1988	01	12	10,917	HW155	335	610	338	1.8047	19,701
348	TD Hydrants	335	Hydrants	1990	01	12	14,224	HW155	335	610	354	1.7232	24,510
348	TD Hydrants	335	Hydrants	1993	01	12	6,311	HW155	335	610	369	1.6531	10,433
348	TD Hydrants	335	Hydrants	1994	01	12	2,240	HW155	335	610	389	1.6531	3,703
348	TD Hydrants	335	Hydrants	1995	01	12	1,367	HW155	335	610	374	1.631	2,230
348	TD Hydrants	335	Hydrants	1996	01	12	23,311	HW155	335	610	384	1.5482	36,080
348	TD Hydrants	335	Hydrants	1997	01	12	22,496	HW155	335	610	454	1.3436	30,225
348	TD Hydrants	335	Hydrants	1998	01	06	1,590	HW155	335	610	467	1.3062	2,077
348	TD Hydrants	335	Hydrants	1999	01	06	10,145	HW155	335	610	482	1.2656	12,839
348	TD Hydrants	335	Hydrants	1999	07	12	24,807	HW155	335	610	484	1.2603	31,264
348	TD Hydrants	335	Hydrants	2000	01	06	140,895	HW155	335	610	496	1.2298	173,273
348	TD Hydrants	335	Hydrants	2003	07	12	31,326	HW155	335	610	541	1.1275	35,320
348	TD Hydrants	335	Hydrants	2004	07	12	82,974	HW155	335	610	550	1.1091	92,026
348	TD Hydrants	335	Hydrants	2005	01	06	454,193	HW155	335	610	564	1.0816	491,255
348	TD Hydrants	335	Hydrants	2006	07	12	111,288	HW155	335	610	610	1	111,288
335 Total							1,171,833						2,192,853
325	Pumping Other Equipment	339	Other Plant and Equipment	2000	01	06	271	HW155	311	619	523	1.1836	321
325	Pumping Other Equipment	339	Other Plant and Equipment	2005	01	06	19,331	HW155	311	619	604	1.0248	19,811
325	Pumping Other Equipment	339	Other Plant and Equipment	2005	07	12	1,607,800	HW155	311	619	611	1.0131	1,628,863
325	Pumping Other Equipment	339	Other Plant and Equipment	2006	07	12	22,794	HW155	311	619	619	1	22,794
349	TD Other Plant	339	Plant Structures and Improvements	1972	01	12	5,403	HW155	304	434	93	4.6667	25,214
349	TD Other Plant	339	Plant Structures and Improvements	1974	01	12	5,240	HW155	304	434	121	3.5868	18,795
349	TD Other Plant	339	Plant Structures and Improvements	1978	01	12	2,014	HW155	304	434	164	2.6463	5,330
349	TD Other Plant	339	Plant Structures and Improvements	1994	01	12	7,478	HW155	304	434	291	1.4814	11,153
349	TD Other Plant	339	Plant Structures and Improvements	1998	07	12	5,676	HW155	304	434	318	1.3648	7,746

Chaparral City Water Company
Trended Reconstruction Cost Plant
Test Year Ended December 31, 2006

Exhibit
Schedule B-4
Witness: Bourassa

Class	Class Description	NARUC	NARUC Description	Vin. Yr.	Month	Month	Original Cost	Source	HW155	Base	Index	Factor	RCN Cost
365	General Other Plant	339	Other Plant and Equipment	1998	01	06	1,717,230	1 CPI	202.6	202.6	162.3	1.2483	2
379	General Other Plant	339	Other Plant and Equipment	1974	01	12	3,740 CPI		202.6	202.6	49.3	4.1095	15,370
379	General Other Plant	339	Other Plant and Equipment	1985	01	12	1,574 CPI		202.6	202.6	107.6	1.8829	2,964
379	General Other Plant	339	Other Plant and Equipment	1990	01	12	35,907 CPI		202.6	202.6	130.7	1.5501	55,660
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1974	01	12	11,376 CPI		202.6	202.6	49.3	4.1095	1,814,021
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1993	01	12	8,653 CPI		202.6	202.6	144.5	1.4021	46,751
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1994	01	12	17,245 CPI		202.6	202.6	148.2	1.3671	12,132
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1995	01	12	23,508 CPI		202.6	202.6	152.4	1.3294	23,576
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1996	01	12	8,778 CPI		202.6	202.6	156.9	1.2913	31,251
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1997	01	12	4,568 CPI		202.6	202.6	160.5	1.2623	11,335
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1998	01	06	5,352 CPI		202.6	202.6	162.3	1.2483	5,766
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1998	07	12	10,995 CPI		202.6	202.6	163.7	1.2376	6,681
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1999	01	06	16,672 CPI		202.6	202.6	165.4	1.2249	13,607
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1999	07	12	20,921 CPI		202.6	202.6	167.8	1.2074	20,421
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2000	01	06	7,484 CPI		202.6	202.6	170.8	1.1862	25,260
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2001	07	12	803 CPI		202.6	202.6	177.5	1.1414	8,877
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2002	07	12	3,693 CPI		202.6	202.6	180.9	1.12	917
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2003	07	12	4,537 CPI		202.6	202.6	183.3	1.1053	4,136
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2003	07	12	34,221 CPI		202.6	202.6	184.6	1.0975	5,014
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2004	01	06	34,128 CPI		202.6	202.6	187.6	1.08	37,557
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2004	07	12	9,601 CPI		202.6	202.6	190.2	1.0652	36,859
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2005	01	06	21,363 CPI		202.6	202.6	193.2	1.0487	10,227
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2005	07	12	3,372 CPI		202.6	202.6	197.4	1.0263	22,403
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2006	01	06	12,830 CPI		202.6	202.6	200.6	1.01	3,461
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2006	07	12	10,260 CPI		202.6	202.6	202.6	1	12,958
373	General Transportation Equipment	341	Transportation Equipment	1980	01	12	270,348		202.6	202.6	82.4	2.4587	349,449
373	General Transportation Equipment	341	Transportation Equipment	1986	01	12	20,014 CPI		202.6	202.6	109.6	1.8485	49,208
373	General Transportation Equipment	341	Transportation Equipment	1994	01	12	17,630 CPI		202.6	202.6	148.2	1.3671	32,588
373	General Transportation Equipment	341	Transportation Equipment	1995	01	12	54,047 CPI		202.6	202.6	152.4	1.3294	73,888
373	General Transportation Equipment	341	Transportation Equipment	1996	01	12	772 CPI		202.6	202.6	156.9	1.2913	1,026
373	General Transportation Equipment	341	Transportation Equipment	1997	01	12	49,382 CPI		202.6	202.6	160.5	1.2623	63,767
373	General Transportation Equipment	341	Transportation Equipment	1998	01	06	10,046 CPI		202.6	202.6	162.3	1.2483	12,681
373	General Transportation Equipment	341	Transportation Equipment	1998	07	12	29,863 CPI		202.6	202.6	163.7	1.2376	1,588
373	General Transportation Equipment	341	Transportation Equipment	1999	01	06	19,694 CPI		202.6	202.6	165.4	1.2249	36,958
373	General Transportation Equipment	341	Transportation Equipment	1999	07	12	16,035 CPI		202.6	202.6	167.8	1.2074	24,123
373	General Transportation Equipment	341	Transportation Equipment	2000	01	06	25,851 CPI		202.6	202.6	170.8	1.1862	19,361
373	General Transportation Equipment	341	Transportation Equipment	2000	07	12	3,383 CPI		202.6	202.6	173.6	1.1671	30,665
373	General Transportation Equipment	341	Transportation Equipment	2001	01	06	20,243 CPI		202.6	202.6	176.6	1.1472	3,948
373	General Transportation Equipment	341	Transportation Equipment	2002	07	12	62,350 CPI		202.6	202.6	180.9	1.12	23,222
373	General Transportation Equipment	341	Transportation Equipment	2003	01	06	24,633 CPI		202.6	202.6	183.3	1.1053	69,832
373	General Transportation Equipment	341	Transportation Equipment	2003	07	12	55,606 CPI		202.6	202.6	184.6	1.0975	27,227
373	General Transportation Equipment	341	Transportation Equipment	2004	01	06	59,844 CPI		202.6	202.6	187.6	1.08	61,027
373	General Transportation Equipment	341	Transportation Equipment	2005	01	06	64,652 CPI		202.6	202.6	193.2	1.0487	64,632
373	General Transportation Equipment	341	Transportation Equipment	2005	01	06	555,315		202.6	202.6	193.2	1.0487	67,800
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1974	01	12	628 CPI		202.6	202.6	49.3	4.1095	663,541
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1977	01	12	4,977 CPI		202.6	202.6	60.6	3.3432	2,581
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1978	01	12	685 CPI		202.6	202.6	65.2	3.1074	16,639
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1983	01	12	1,694 CPI		202.6	202.6	99.6	2.0341	2,129
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1983	01	12	1,694 CPI		202.6	202.6	99.6	2.0341	3,446

Chaparral City Water Company
Trended Reconstruction Cost Plant
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Exhibit
Schedule B-4
Witness: Bourassa

Class	Class Description	NARUC	NARUC Description	Vin. Yr.	Month	Month	Original Cost	Source	HW155	Base	Index	Factor	RCN Cost
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1984	01	12	4,723	CPI	202.6	103.9	1.95		9,210
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1985	01	12	6,317	CPI	202.6	107.6	1.8829		11,894
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1993	01	12	854	CPI	202.6	144.5	1.4021		1,198
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1994	01	12	7,042	CPI	202.6	148.2	1.3671		9,627
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1996	01	12	5,098	CPI	202.6	156.9	1.2913		6,583
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1997	01	12	3,114	CPI	202.6	160.5	1.2623		3,931
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1998	07	12	27,528	CPI	202.6	163.7	1.2376		34,068
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1999	01	06	5,352	CPI	202.6	165.4	1.2249		6,556
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1999	07	12	3,017	CPI	202.6	167.8	1.2074		3,643
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	2000	01	06	14,828	CPI	202.6	170.8	1.1862		17,589
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	2002	07	12	2,147	CPI	202.6	180.9	1.12		2,405
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	2004	07	12	4,936	CPI	202.6	190.2	1.0652		5,257
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	2005	01	06	52,874	CPI	202.6	193.2	1.0487		55,449
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	2006	07	12	3,551	CPI	202.6	202.6	1		3,551
							149,365						196,765
376	General Communication Equipment	346	Communication Equipment	1986	01	12	8,857	CPI	202.6	109.6	1.8485		16,371
376	General Communication Equipment	346	Communication Equipment	1989	01	12	7,135	CPI	202.6	124	1.6339		11,658
376	General Communication Equipment	346	Communication Equipment	1995	01	12	2,540	CPI	202.6	152.4	1.3294		3,376
376	General Communication Equipment	346	Communication Equipment	1996	01	12	1,409	CPI	202.6	156.9	1.2913		1,819
376	General Communication Equipment	346	Communication Equipment	1997	01	12	12,465	CPI	202.6	160.5	1.2623		15,734
376	General Communication Equipment	346	Communication Equipment	1998	07	12	4,054	CPI	202.6	163.7	1.2376		5,017
376	General Communication Equipment	346	Communication Equipment	1999	01	06	603	CPI	202.6	165.4	1.2249		739
376	General Communication Equipment	346	Communication Equipment	2000	01	06	2,042	CPI	202.6	170.8	1.1862		2,423
							39,105						57,138
							51,019,189						79,757,377
348	Other Tangible Plant						34,063	NONE	0	0	0	1	34,063
	Grand Total						51,053,252						79,791,440

Chaparral City Water Company
Trended Reconstruction Cost Plan
Test Year Ended December 31, 2006

Exhibit
Schedule B-4
Witness: Bourassa

(1)X(2)

Ratio
RCN to
Orig. Cost

(2)
Accumulated
Depreciation

Trended
Accumulated
Depreciation

Class	Class Description	NARUC	NARUC Description	Vin. Yr.	Month	Month	Ratio RCN to Orig. Cost	(2) Accumulated Depreciation	Trended Accumulated Depreciation
307	Land, Cap Easements	303	Land and Land Rights	2000	07	12	1.0000	0	0
321	Pumping Structures and Improvements	304	Structure and Improvements	1982	01	12			
321	Pumping Structures and Improvements	304	Structure and Improvements	1986	01	12			
321	Pumping Structures and Improvements	304	Structure and Improvements	1999	07	12			
321	Pumping Structures and Improvements	304	Structure and Improvements	2004	01	06			
321	Pumping Structures and Improvements	304	Structure and Improvements	2005	01	06			
331	WT Structures and Improvements	304	Structures and Improvements	2002	07	12			
331	WT Structures and Improvements	304	Structures and Improvements	2003	07	12			
331	WT Structures and Improvements	304	Structures and Improvements	2004	07	12			
331	WT Structures and Improvements	304	Structures and Improvements	2005	01	06			
331	WT Structures and Improvements	304	Structures and Improvements	2005	07	12			
331	WT Structures and Improvements	304	Structures and Improvements	2006	07	12			
341	TD Structures and Improvements	304	Structures and Improvements	1975	01	12			
341	TD Structures and Improvements	304	Structures and Improvements	2004	01	06			
371	General Structure and Improvements	304	Structures and Improvements	1985	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1986	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1985	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1996	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1997	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1998	01	06			
371	General Structure and Improvements	304	Structures and Improvements	2000	01	06			
371	General Structure and Improvements	304	Structures and Improvements	2003	07	12			
371	General Structure and Improvements	304	Structures and Improvements	2004	01	06			
371	General Structure and Improvements	304	Structures and Improvements	2004	07	12			
371	General Structure and Improvements	304	Structures and Improvements	2005	01	06			
371	General Structure and Improvements	304	Structures and Improvements	2006	01	06			
371	General Structure and Improvements	304	Structures and Improvements	2006	07	12	1.2942	376,155	486,810
315	SS Wells	307	Wells and Springs	1971	01	12			
315	SS Wells	307	Wells and Springs	1972	01	12			
315	SS Wells	307	Wells and Springs	1973	01	12			
315	SS Wells	307	Wells and Springs	1974	01	12			
315	SS Wells	307	Wells and Springs	1982	01	12			
315	SS Wells	307	Wells and Springs	1986	01	12			
315	SS Wells	307	Wells and Springs	1996	01	12			
315	SS Wells	307	Wells and Springs	1998	01	06			
315	SS Wells	307	Wells and Springs	1999	01	06			
315	SS Wells	307	Wells and Springs	2000	01	06	2.7353	54,932	150,254
324	Pumping Equipment	311	Electric Pumping Equipment	1972	01	12			
324	Pumping Equipment	311	Electric Pumping Equipment	1973	01	12			
324	Pumping Equipment	311	Electric Pumping Equipment	1974	01	12			
324	Pumping Equipment	311	Electric Pumping Equipment	1975	01	12			
324	Pumping Equipment	311	Electric Pumping Equipment	1978	01	12			
324	Pumping Equipment	311	Electric Pumping Equipment	1979	01	12			
324	Pumping Equipment	311	Electric Pumping Equipment	1980	01	12			
324	Pumping Equipment	311	Electric Pumping Equipment	1981	01	12			
324	Pumping Equipment	311	Electric Pumping Equipment	1982	01	12			
324	Pumping Equipment	311	Electric Pumping Equipment	1985	01	12			

Chaparral City Water Company
Trended Reconstruction Cost Plant
Test Year Ended December 31, 2006

Exhibit
Schedule B-4
Witness: Bourassa
(1)X(2)

Class	Class Description	NARUC	NARUC Description	Yr.	Month	Ratio RCM to Orig. Cost	(2) Accumulated Depreciation	Trended Accumulated Depreciation (1)X(2)
324	Pumping Equipment	311	Electric Pumping Equipment	1986	01			
324	Pumping Equipment	311	Electric Pumping Equipment	1987	01			
324	Pumping Equipment	311	Electric Pumping Equipment	1989	01			
324	Pumping Equipment	311	Electric Pumping Equipment	1993	01			
324	Pumping Equipment	311	Electric Pumping Equipment	1996	01			
324	Pumping Equipment	311	Electric Pumping Equipment	1998	07			
324	Pumping Equipment	311	Electric Pumping Equipment	1999	07			
324	Pumping Equipment	311	Electric Pumping Equipment	2000	01			
324	Pumping Equipment	311	Electric Pumping Equipment	2002	07			
324	Pumping Equipment	311	Electric Pumping Equipment	2003	07			
324	Pumping Equipment	311	Electric Pumping Equipment	2003	07			
324	Pumping Equipment	311	Electric Pumping Equipment	2004	01			
324	Pumping Equipment	311	Electric Pumping Equipment	2004	07			
324	Pumping Equipment	311	Electric Pumping Equipment	2005	01			
324	Pumping Equipment	311	Electric Pumping Equipment	2005	07			
324	Pumping Equipment	311	Electric Pumping Equipment	2006	07			
324	Pumping Equipment	311	Electric Pumping Equipment	2006	07			
332	WT Equipment	320	Water Treatment Equipment	1986	01			
332	WT Equipment	320	Water Treatment Equipment	1987	01			
332	WT Equipment	320	Water Treatment Equipment	1989	01			
332	WT Equipment	320	Water Treatment Equipment	1993	01			
332	WT Equipment	320	Water Treatment Equipment	1994	01			
332	WT Equipment	320	Water Treatment Equipment	1995	01			
332	WT Equipment	320	Water Treatment Equipment	1996	01			
332	WT Equipment	320	Water Treatment Equipment	1997	01			
332	WT Equipment	320	Water Treatment Equipment	1998	01			
332	WT Equipment	320	Water Treatment Equipment	1998	07			
332	WT Equipment	320	Water Treatment Equipment	1999	01			
332	WT Equipment	320	Water Treatment Equipment	1999	07			
332	WT Equipment	320	Water Treatment Equipment	2000	01			
332	WT Equipment	320	Water Treatment Equipment	2002	07			
332	WT Equipment	320	Water Treatment Equipment	2003	07			
332	WT Equipment	320	Water Treatment Equipment	2003	07			
332	WT Equipment	320	Water Treatment Equipment	2004	01			
332	WT Equipment	320	Water Treatment Equipment	2004	07			
332	WT Equipment	320	Water Treatment Equipment	2005	01			
332	WT Equipment	320	Water Treatment Equipment	2005	07			
332	WT Equipment	320	Water Treatment Equipment	2006	07			
332	WT Equipment	320	Water Treatment Equipment	2006	07			
311	Total	311	Electric Pumping Equipment			2.0976	834,457	1,750,363
312	SS Coll & Imp Resv	330	Distribution Reservoirs	1979	01			
312	SS Coll & Imp Resv	330	Distribution Reservoirs	1986	01			
312	SS Coll & Imp Resv	330	Distribution Reservoirs	1987	01			
312	SS Coll & Imp Resv	330	Distribution Reservoirs	1989	01			
312	SS Coll & Imp Resv	330	Distribution Reservoirs	1990	01			
316	SS Supply Mains	330	Distribution Reservoirs	1986	01			
316	SS Supply Mains	330	Distribution Reservoirs	1987	01			
316	SS Supply Mains	330	Distribution Reservoirs	1989	01			
316	SS Supply Mains	330	Distribution Reservoirs	2005	07			
316	SS Supply Mains	330	Distribution Reservoirs	2006	07			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1971	01			
		320	Water Treatment Equipment			1.2841	2,099,307	2,695,725

Chaparral City Water Company
Trended Reconstruction Cost Plant
Test Year Ended December 31, 2006

Exhibit
Schedule B-4
Witness: Bourassa
(1)(X)(2)

Class	Class Description	NARUC	NARUC Description	Vin. Yr.	Month	Month	Ratio (1)	Accumulated Depreciation (2)	Trended Accumulated Depreciation (1)(X)(2)
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1972	01	12			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1973	01	12			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1974	01	12			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1975	01	12			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1978	01	12			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1979	01	12			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1994	01	12			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1995	01	12			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1996	01	12			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1997	01	12			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1998	01	06			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1998	07	12			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1999	01	06			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	1999	07	12			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	2000	01	06			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	2003					
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	2005	01	06			
342	TD Reservoirs and Tanks	330	Distribution Reservoirs	2005	07	12			
		330 Total	Distribution Reservoirs				1.5902	1,431,816	2,276,817
343	TD Mains	331	Transmission and Distribution Mains	1972	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1973	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1974	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1975	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1978	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1979	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1980	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1981	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1982	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1983	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1985	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1986	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1987	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1989	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1990	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1993	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1994	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1995	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1996	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1997	01	12			
343	TD Mains	331	Transmission and Distribution Mains	1998	01	06			
343	TD Mains	331	Transmission and Distribution Mains	1998	07	12			
343	TD Mains	331	Transmission and Distribution Mains	1999	01	06			
343	TD Mains	331	Transmission and Distribution Mains	1999	07	12			
343	TD Mains	331	Transmission and Distribution Mains	2000	01	06			
343	TD Mains	331	Transmission and Distribution Mains	2003	07	12			
343	TD Mains	331	Transmission and Distribution Mains	2004	07	12			
343	TD Mains	331	Transmission and Distribution Mains	2005	01	06			
343	TD Mains	331	Transmission and Distribution Mains	2005	07	12			
343	TD Mains	331	Transmission and Distribution Mains	2006	01	06			
343	TD Mains	331	Transmission and Distribution Mains	2006	07	12			

Chaparral City Water Company
Trended Reconstruction Cost Plant
Test Year Ended December 31, 2006

Exhibit
Schedule B-4
Witness: Bourassa
(1)(X)(2)

Class	Class Description	NARUC	NARUC Description	Vin. Yr.	Month	Month	Ratio RCN to Orig. Cost	(1)	(2)	Accumulated Depreciation	Trended Accumulated Depreciation	(1)(X)(2)
345	TD Services	331 Total	Transmission and Distribution Mains	1981	01	12		1,8292		7,103,657	12,993,907	
345	TD Services	333	Services	1983	01	12						
345	TD Services	333	Services	1984	01	12						
345	TD Services	333	Services	1985	01	12						
345	TD Services	333	Services	1986	01	12						
345	TD Services	333	Services	1987	01	12						
345	TD Services	333	Services	1989	01	12						
345	TD Services	333	Services	1990	01	12						
345	TD Services	333	Services	1993	01	12						
345	TD Services	333	Services	1994	01	12						
345	TD Services	333	Services	1995	01	12						
345	TD Services	333	Services	1996	01	12						
345	TD Services	333	Services	1997	01	12						
345	TD Services	333	Services	1998	01	06						
345	TD Services	333	Services	1998	07	12						
345	TD Services	333	Services	1999	01	06						
345	TD Services	333	Services	1999	07	12						
345	TD Services	333	Services	2000	01	06						
345	TD Services	333	Services	2002	07	12						
345	TD Services	333	Services	2003	01	06						
345	TD Services	333	Services	2003	07	12						
345	TD Services	333	Services	2004	01	06						
345	TD Services	333	Services	2004	07	12						
345	TD Services	333	Services	2005	01	06						
345	TD Services	333	Services	2005	07	12						
345	TD Services	333	Services	2006	01	06						
345	TD Services	333	Services	2006	07	12		1,2590	1,228,978		1,547,309	
346	TD Meters	333 Total	Services									
346	TD Meters	334	Meters	1972	01	12						
346	TD Meters	334	Meters	1973	01	12						
346	TD Meters	334	Meters	1974	01	12						
346	TD Meters	334	Meters	1975	01	12						
346	TD Meters	334	Meters	1978	01	12						
346	TD Meters	334	Meters	1979	01	12						
346	TD Meters	334	Meters	1980	01	12						
346	TD Meters	334	Meters	1981	01	12						
346	TD Meters	334	Meters	1982	01	12						
346	TD Meters	334	Meters	1983	01	12						
346	TD Meters	334	Meters	1984	01	12						
346	TD Meters	334	Meters	1985	01	12						
346	TD Meters	334	Meters	1986	01	12						
346	TD Meters	334	Meters	1987	01	12						
346	TD Meters	334	Meters	1989	01	12						
346	TD Meters	334	Meters	1990	01	12						
346	TD Meters	334	Meters	1993	01	12						
346	TD Meters	334	Meters	1994	01	12						
346	TD Meters	334	Meters	1995	01	12						
346	TD Meters	334	Meters	1996	01	12						
346	TD Meters	334	Meters	1997	01	12						

Chaparral City Water Company
Trended Reconstruction Cost Plan
Test Year Ended December 31, 2006

Exhibit
Schedule B-4
Witness: Bourassa

Class	Class Description	NARUC	NARUC Description	Vin. Yr.	Month	Month	Ratio RCN to Orig. Cost	(1)	(2)	Trended Accumulated Depreciation (1)X(2)
365	General Other Plant	339	Other Plant and Equipment	1988	01	06				
379	General Other Plant	339	Other Plant and Equipment	1974	01	12				
379	General Other Plant	339	Other Plant and Equipment	1985	01	12				
379	General Other Plant	339	Other Plant and Equipment	1990	01	12				
		339 Total	Other Plant and Equipment					1,0564	262,340	277,127
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1974	01	12				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1993	01	12				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1994	01	12				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1995	01	12				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1996	01	12				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1997	01	12				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1998	01	06				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1998	07	12				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1999	01	06				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1999	07	12				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2000	01	06				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2001	07	12				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2002	07	12				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2003	01	06				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2003	07	12				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2004	01	06				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2004	07	12				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2005	01	06				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2005	07	12				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2006	01	06				
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2006	07	12		1,2925	66,702	86,215
		340 Total	Office Furniture and Equipment							
373	General Transportation Equipment	341	Transportation Equipment	1980	01	12				
373	General Transportation Equipment	341	Transportation Equipment	1986	01	12				
373	General Transportation Equipment	341	Transportation Equipment	1994	01	12				
373	General Transportation Equipment	341	Transportation Equipment	1995	01	12				
373	General Transportation Equipment	341	Transportation Equipment	1996	01	12				
373	General Transportation Equipment	341	Transportation Equipment	1997	01	12				
373	General Transportation Equipment	341	Transportation Equipment	1998	01	06				
373	General Transportation Equipment	341	Transportation Equipment	1998	07	12				
373	General Transportation Equipment	341	Transportation Equipment	1999	01	06				
373	General Transportation Equipment	341	Transportation Equipment	1999	07	12				
373	General Transportation Equipment	341	Transportation Equipment	2000	01	06				
373	General Transportation Equipment	341	Transportation Equipment	2000	07	12				
373	General Transportation Equipment	341	Transportation Equipment	2001	01	06				
373	General Transportation Equipment	341	Transportation Equipment	2002	07	12				
373	General Transportation Equipment	341	Transportation Equipment	2003	01	06				
373	General Transportation Equipment	341	Transportation Equipment	2003	07	12				
373	General Transportation Equipment	341	Transportation Equipment	2004	01	06				
373	General Transportation Equipment	341	Transportation Equipment	2005	01	06				
		341 Total	Transportation Equipment					1,2395	140,176	173,753
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1974	01	12				
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1977	01	12				
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1978	01	12				
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1983	01	12				

Chaparral City Water Company
Trended Reconstruction Cost Plant
Test Year Ended December 31, 2006

Exhibit
Schedule B-4
Witness: Bourassa

Class	Class Description	NARUC	NARUC Description	Vin. Yr.	Month	Month	Ratio RCN to Orig. Cost	(1)	(2)	Trended Accumulated Depreciation	(1)X(2)
378	General Tool, Shop, & Garage Equipment 343	343	Tools and Work Equipment	1984	01	12					
378	General Tool, Shop, & Garage Equipment 343	343	Tools and Work Equipment	1985	01	12					
378	General Tool, Shop, & Garage Equipment 343	343	Tools and Work Equipment	1993	01	12					
378	General Tool, Shop, & Garage Equipment 343	343	Tools and Work Equipment	1994	01	12					
378	General Tool, Shop, & Garage Equipment 343	343	Tools and Work Equipment	1996	01	12					
378	General Tool, Shop, & Garage Equipment 343	343	Tools and Work Equipment	1997	01	12					
378	General Tool, Shop, & Garage Equipment 343	343	Tools and Work Equipment	1998	07	12					
378	General Tool, Shop, & Garage Equipment 343	343	Tools and Work Equipment	1999	01	06					
378	General Tool, Shop, & Garage Equipment 343	343	Tools and Work Equipment	1999	07	12					
378	General Tool, Shop, & Garage Equipment 343	343	Tools and Work Equipment	2000	01	06					
378	General Tool, Shop, & Garage Equipment 343	343	Tools and Work Equipment	2002	07	12					
378	General Tool, Shop, & Garage Equipment 343	343	Tools and Work Equipment	2004	07	12					
378	General Tool, Shop, & Garage Equipment 343	343	Tools and Work Equipment	2005	01	06					
378	General Tool, Shop, & Garage Equipment 343	343	Tools and Work Equipment	2006	07	12		1.3106	43,635	57,187	
	343 Total		Tools and Work Equipment								
376	General Communication Equipment	346	Communication Equipment	1986	01	12					
376	General Communication Equipment	346	Communication Equipment	1989	01	12					
376	General Communication Equipment	346	Communication Equipment	1995	01	12					
376	General Communication Equipment	346	Communication Equipment	1996	01	12					
376	General Communication Equipment	346	Communication Equipment	1997	01	12					
376	General Communication Equipment	346	Communication Equipment	1998	07	12					
376	General Communication Equipment	346	Communication Equipment	1999	01	06					
376	General Communication Equipment	346	Communication Equipment	2000	01	06		1.4612	25,603	37,410	
	346 Total		Communication Equipment						14,946,118	24,501,504	
	Total										
348	Other Tangible Plant							1.0000	639	639	
	Grand Total								14,946,757	24,502,143	

Chaparral City Water Company
General Office Trench Reconstruction Cost Plant Base
Test Year December 31, 2006

Exhibit
Schedule B-4-A
Witness: Bourassa

Class	Class Description	Naruc	Naruc Description	Year	Month	Month	Original Cost	Source	HW155	Base	Index	Factor	RCN
306	Land, Cap Easements	303	Land and Land Rights	1969	01	12	1	NONE		0	0	1	1
306	Land, Cap Easements	303	Land and Land Rights	1988	01	12	135,732	NONE		0	0	1	135,732
306	Land, Cap Easements	303	Land and Land Rights	1989	01	12	22,146	NONE		0	0	1	22,146
306	Land, Cap Easements	303	Land and Land Rights	1991	01	12	12,967	NONE		0	0	1	12,967
306	Land, Cap Easements	303	Land and Land Rights	1992	01	12	1,157	NONE		0	0	1	1,157
		303 Total					172,003						172,003
371	General Structure and Improvements	304	Structures and Improvements	1970	01	12	8,815	HW155	304	434	80	5.425	47,821
371	General Structure and Improvements	304	Structures and Improvements	1971	01	12	3,935	HW155	304	434	88	4.9318	19,407
371	General Structure and Improvements	304	Structures and Improvements	1985	01	12	21,106	HW155	304	434	241	1.8008	38,008
371	General Structure and Improvements	304	Structures and Improvements	1986	01	12	5,329	HW155	304	434	246	1.7642	9,401
371	General Structure and Improvements	304	Structures and Improvements	1988	01	12	3,480	HW155	304	434	253	1.7154	5,970
371	General Structure and Improvements	304	Structures and Improvements	1989	01	12	4,155	HW155	304	434	253	1.7154	7,127
371	General Structure and Improvements	304	Structures and Improvements	1990	01	12	4,076,985	HW155	304	434	261	1.6628	6,779,211
371	General Structure and Improvements	304	Structures and Improvements	1991	01	12	445,906	HW155	304	434	261	1.6628	741,452
371	General Structure and Improvements	304	Structures and Improvements	1992	01	12	103,378	HW155	304	434	266	1.6316	188,672
371	General Structure and Improvements	304	Structures and Improvements	1993	01	12	23,680	HW155	304	434	279	1.5556	36,837
371	General Structure and Improvements	304	Structures and Improvements	1994	01	12	254,233	HW155	304	434	291	1.4914	379,163
371	General Structure and Improvements	304	Structures and Improvements	1995	01	12	267,182	HW155	304	434	299	1.4515	387,815
371	General Structure and Improvements	304	Structures and Improvements	1996	01	12	162,226	HW155	304	434	307	1.4137	229,339
371	General Structure and Improvements	304	Structures and Improvements	1998	01	06	93,089	HW155	304	434	316	1.3734	127,848
371	General Structure and Improvements	304	Structures and Improvements	1999	07	12	173,989	HW155	304	434	324	1.3395	233,031
371	General Structure and Improvements	304	Structures and Improvements	2002	01	06	6,149	HW155	304	434	352	1.233	7,582
371	General Structure and Improvements	304	Structures and Improvements	2002	07	12	4,515	HW155	304	434	365	1.189	5,368
371	General Structure and Improvements	304	Structures and Improvements	2003	01	06	47,369	HW155	304	434	367	1.1826	56,019
371	General Structure and Improvements	304	Structures and Improvements	2004	07	12	4,395	HW155	304	434	393	1.1043	4,853
371	General Structure and Improvements	304	Structures and Improvements	2005	07	12	49,327	HW155	304	434	418	1.0383	51,216
371	General Structure and Improvements	304	Structures and Improvements	2006	07	12	43,590	HW155	304	434	434	1	43,590
		304 Total					5,802,813						9,379,730
324	Pumping Equipment	311	Electric Pumping Equipment	1969	01	12	(42)	HW155	311	619	84	7.369	(310)
324	Pumping Equipment	311	Electric Pumping Equipment	1990	01	12	(874)	HW155	311	619	349	1.7736	(1,550)
		311 Total					(916)						(1,860)
379	General Other Plant	339	Other Plant and Equipment	1998	07	12	820,254	CPI		202.6	163.7	1.2376	1,015,146
379	General Other Plant	339	Other Plant and Equipment	1991	01	12	24,906	CPI		202.6	136.2	1.4875	37,048
379	General Other Plant	339	Other Plant and Equipment	1992	01	12	2,222	CPI		202.6	140.3	1.444	3,209
		339 Total					847,382						1,056,403
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1991	01	12	240,934	CPI		202.6	136.2	1.4875	356,389
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1992	01	12	681,817	CPI		202.6	140.3	1.444	984,544
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1993	01	12	640,706	CPI		202.6	144.5	1.4021	898,334
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1994	01	12	434,479	CPI		202.6	148.2	1.3671	593,976
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1995	01	12	2,710,260	CPI		202.6	152.4	1.3294	3,603,020
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1996	01	12	749,145	CPI		202.6	156.9	1.2913	967,371
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1997	01	12	508,326	CPI		202.6	160.5	1.2623	641,660
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1998	01	06	388,128	CPI		202.6	162.3	1.2483	484,500
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1998	07	12	292,558	CPI		202.6	163.7	1.2376	362,070
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1999	01	06	198,230	CPI		202.6	165.4	1.2249	242,812
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1999	07	12	282,265	CPI		202.6	167.8	1.2074	340,807
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2000	01	06	138,914	CPI		202.6	170.8	1.1862	164,780

Chaparral City Water Company
General Office Trench Reconstruction Cost Plant Base
Test Year December 31, 2006

Exhibit
Schedule B-4-A
Witness: Bourassa

<u>Class</u>	<u>Class Description</u>	<u>Naruc</u>	<u>Naruc Description</u>	<u>Year</u>	<u>Month</u>	<u>Month</u>	<u>Original Cost</u>	<u>Source</u>	<u>HW155</u>	<u>Base</u>	<u>Index</u>	<u>Factor</u>	<u>RCN</u>
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2000	07	12	45,357	CPI		202.6	173.6	1.1671	52,936
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2001	01	06	268,090	CPI		202.6	176.6	1.1472	307,553
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2001	07	12	11,762	CPI		202.6	177.5	1.1414	13,425
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2002	01	06	151,658	CPI		202.6	178.9	1.1325	171,753
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2002	07	12	811,995	CPI		202.6	180.9	1.12	909,434
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2003	01	06	595,298	CPI		202.6	183.3	1.1053	657,993
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2003	07	12	2,284,634	CPI		202.6	184.6	1.0975	2,507,386
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2004	01	06	699,858	CPI		202.6	187.6	1.08	755,847
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2004	07	12	290,223	CPI		202.6	190.2	1.0652	309,146
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2005	01	06	45,298	CPI		202.6	193.2	1.0487	47,504
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2005	07	12	535,962	CPI		202.6	197.4	1.0263	550,058
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2006	01	06	8,276	CPI		202.6	200.6	1.01	8,359
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2006	07	12	862,471	CPI		202.6	202.6	1	862,471
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2007	01	06	392,121	CPI		202.6	202.6	1	392,121
		340 Total					14,258,765						17,188,237
373	General Transportation Equipment	341	Transportation Equipment	1990	01	12	0	CPI		202.6	130.7	1.5501	0
373	General Transportation Equipment	341	Transportation Equipment	1991	01	12	0	CPI		202.6	136.2	1.4875	0
373	General Transportation Equipment	341	Transportation Equipment	1996	01	12	28,454	CPI		202.6	156.9	1.2913	36,743
373	General Transportation Equipment	341	Transportation Equipment	1998	01	06	0	CPI		202.6	162.3	1.2483	0
373	General Transportation Equipment	341	Transportation Equipment	1998	07	12	30,017	CPI		202.6	163.7	1.2376	37,149
373	General Transportation Equipment	341	Transportation Equipment	1999	01	06	0	CPI		202.6	165.4	1.2249	0
373	General Transportation Equipment	341	Transportation Equipment	2000	01	06	30,932	CPI		202.6	170.8	1.1862	36,692
373	General Transportation Equipment	341	Transportation Equipment	2002	07	12	115,007	CPI		202.6	180.9	1.12	128,808
373	General Transportation Equipment	341	Transportation Equipment	2003	01	06	25,648	CPI		202.6	183.3	1.1053	28,349
373	General Transportation Equipment	341	Transportation Equipment	2004	01	06	78,246	CPI		202.6	187.6	1.08	84,506
373	General Transportation Equipment	341	Transportation Equipment	2004	07	12	115,463	CPI		202.6	190.2	1.0652	122,991
373	General Transportation Equipment	341	Transportation Equipment	2005	07	12	90,732	CPI		202.6	197.4	1.0263	93,118
373	General Transportation Equipment	341	Transportation Equipment	2006	07	12	38,220	CPI		202.6	202.6	1	38,220
		341 Total					552,719						606,575
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1943	01	12	72	CPI		202.6	17.3	11.711	843
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1945	01	12	296	CPI		202.6	18	11.2556	3,332
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1946	01	12	1,038	CPI		202.6	19.5	10.3897	10,785
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1947	01	12	269	CPI		202.6	22.3	9.0852	2,444
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1948	01	12	67	CPI		202.6	24.1	8.4066	563
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1949	01	12	274	CPI		202.6	23.8	8.5126	2,332
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1951	01	12	438	CPI		202.6	26	7.7923	3,413
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1952	01	12	865	CPI		202.6	26.5	7.6453	6,613
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1953	01	12	628	CPI		202.6	26.7	7.588	4,795
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1954	01	12	588	CPI		202.6	26.9	7.5316	4,429
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1955	01	12	614	CPI		202.6	26.8	7.5597	4,642
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1956	01	12	824	CPI		202.6	27.2	7.4485	6,138
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1957	01	12	1,803	CPI		202.6	28.1	7.21	13,000
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1958	01	12	5,321	CPI		202.6	28.9	7.0104	37,302
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1959	01	12	631	CPI		202.6	29.1	6.9622	4,393
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1960	01	12	1,907	CPI		202.6	29.6	6.8446	13,053
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1961	01	12	258	CPI		202.6	29.9	6.7759	1,748
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1963	01	12	937	CPI		202.6	30.6	6.6209	6,204

Chaparral City Water Company
General Office Tended Reconstruction Cost Plant Base
Test Year December 31, 2006

Exhibit
Schedule B-4-A
Witness: Bourassa

Class	Class Description	Naruc	Naruc Description	Year	Month	Month	Original Cost	Source	HW155	Base	Index	Factor	RCN
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1964	01	12	447	CPI	202.6	31	6.5355		2,921
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1965	01	12	348	CPI	202.6	31.5	6.4317		2,238
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1966	01	12	153	CPI	202.6	32.4	6.2531		957
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1968	01	12	173	CPI	202.6	34.8	5.8218		1,007
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1969	01	12	790	CPI	202.6	36.7	5.5204		4,361
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1970	01	12	384	CPI	202.6	38.8	5.2216		2,005
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1971	01	12	734	CPI	202.6	40.5	5.0025		3,672
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1972	01	12	286	CPI	202.6	41.8	4.8469		1,386
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1973	01	12	147	CPI	202.6	44.4	4.5631		671
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1974	01	12	1,433	CPI	202.6	49.3	4.1095		5,889
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1975	01	12	160	CPI	202.6	53.8	3.7658		603
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1976	01	12	587	CPI	202.6	56.9	3.5606		2,090
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1977	01	12	1,203	CPI	202.6	60.6	3.3432		4,022
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1978	01	12	861	CPI	202.6	65.2	3.1074		2,675
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1981	01	12	2,549	CPI	202.6	90.9	2.2288		5,681
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1982	01	12	3,067	CPI	202.6	96.5	2.0995		6,439
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1984	01	12	3,950	CPI	202.6	103.9	1.95		7,703
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1986	01	12	27,215	CPI	202.6	109.6	1.8485		50,307
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1987	01	12	2,887	CPI	202.6	113.6	1.7835		5,149
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1988	01	12	5,395	CPI	202.6	118.3	1.7126		9,239
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1989	01	12	2,566	CPI	202.6	124	1.6339		4,193
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1990	01	12	12,092	CPI	202.6	130.7	1.5501		18,744
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1991	01	12	9,700	CPI	202.6	136.2	1.4875		14,429
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1992	01	12	14,208	CPI	202.6	140.3	1.444		20,516
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1993	01	12	27,779	CPI	202.6	144.5	1.4021		38,949
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1994	01	12	58,113	CPI	202.6	148.2	1.3671		79,446
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	2001	01	06	197,016	CPI	202.6	176.6	1.1472		226,017
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	2003	07	12	14,570	CPI	202.6	184.6	1.0975		15,991
	343 Total						405,643						663,298
375	Laboratory Equipment	344	Laboratory Equipment	1951	01	12	307	CPI	202.6	26	7.7923		2,392
375	Laboratory Equipment	344	Laboratory Equipment	1952	01	12	96	CPI	202.6	26.5	7.6453		734
375	Laboratory Equipment	344	Laboratory Equipment	1956	01	12	182	CPI	202.6	27.2	7.4485		1,356
375	Laboratory Equipment	344	Laboratory Equipment	1957	01	12	151	CPI	202.6	28.1	7.21		1,089
375	Laboratory Equipment	344	Laboratory Equipment	1958	01	12	205	CPI	202.6	28.9	7.0104		1,437
375	Laboratory Equipment	344	Laboratory Equipment	1959	01	12	264	CPI	202.6	29.1	6.9622		1,838
375	Laboratory Equipment	344	Laboratory Equipment	1960	01	12	100	CPI	202.6	29.6	6.8446		684
375	Laboratory Equipment	344	Laboratory Equipment	1981	01	12	322	CPI	202.6	90.9	2.2288		718
375	Laboratory Equipment	344	Laboratory Equipment	1982	01	12	2,434	CPI	202.6	96.5	2.0995		5,110
	344 Total						4,061						15,358
377	Power Operated Equipment	345	Power Operated Equipment	1945	01	12	115	CPI	202.6	18	11.2556		1,294
377	Power Operated Equipment	345	Power Operated Equipment	1946	01	12	111	CPI	202.6	19.5	10.3897		1,153
377	Power Operated Equipment	345	Power Operated Equipment	1948	01	12	278	CPI	202.6	24.1	8.4066		2,337
377	Power Operated Equipment	345	Power Operated Equipment	1956	01	12	1,967	CPI	202.6	27.2	7.4485		14,651
377	Power Operated Equipment	345	Power Operated Equipment	1957	01	12	4,229	CPI	202.6	28.1	7.21		30,491
377	Power Operated Equipment	345	Power Operated Equipment	1958	01	12	770	CPI	202.6	28.9	7.0104		5,398
377	Power Operated Equipment	345	Power Operated Equipment	1959	01	12	100	CPI	202.6	29.1	6.9622		696
377	Power Operated Equipment	345	Power Operated Equipment	1960	01	12	626	CPI	202.6	29.6	6.8446		4,285

Chaparral City Water Company
General Office Trended Reconstruction Cost Plant Base
Test Year December 31, 2006

Exhibit
Schedule B-4-A
Witness: Bourassa

Class	Class Description	Naruc	Naruc Description	Year	Month	Month	Original Cost	Source	HW155	Base	Index	Factor	RCN
377	Power Operated Equipment	345	Power Operated Equipment	1964	01	12	1,065	CPI		202.6	31	6.5355	6,960
377	Power Operated Equipment	345	Power Operated Equipment	1965	01	12	210	CPI		202.6	31.5	6.4317	1,351
377	Power Operated Equipment	345	Power Operated Equipment	1966	01	12	942	CPI		202.6	32.4	6.2531	5,890
377	Power Operated Equipment	345	Power Operated Equipment	1967	01	12	489	CPI		202.6	33.4	6.0659	2,966
377	Power Operated Equipment	345	Power Operated Equipment	1968	01	12	11,200	CPI		202.6	34.8	5.8218	65,204
377	Power Operated Equipment	345	Power Operated Equipment	1969	01	12	1,195	CPI		202.6	36.7	5.5204	6,597
377	Power Operated Equipment	345	Power Operated Equipment	1970	01	12	1,329	CPI		202.6	38.8	5.2216	6,940
377	Power Operated Equipment	345	Power Operated Equipment	1971	01	12	7,273	CPI		202.6	40.5	5.0025	36,383
377	Power Operated Equipment	345	Power Operated Equipment	1972	01	12	5,353	CPI		202.6	41.8	4.8469	25,945
377	Power Operated Equipment	345	Power Operated Equipment	1974	01	12	10,807	CPI		202.6	49.3	4.1095	44,411
377	Power Operated Equipment	345	Power Operated Equipment	1975	01	12	2,572	CPI		202.6	53.8	3.7658	9,686
377	Power Operated Equipment	345	Power Operated Equipment	1976	01	12	376	CPI		202.6	56.9	3.5606	1,339
377	Power Operated Equipment	345	Power Operated Equipment	1977	01	12	2,006	CPI		202.6	60.6	3.3432	6,706
377	Power Operated Equipment	345	Power Operated Equipment	1978	01	12	11,501	CPI		202.6	65.2	3.1074	35,738
377	Power Operated Equipment	345	Power Operated Equipment	1980	01	12	8,971	CPI		202.6	82.4	2.4587	22,057
377	Power Operated Equipment	345	Power Operated Equipment	1981	01	12	3,074	CPI		202.6	90.9	2.2288	6,851
377	Power Operated Equipment	345	Power Operated Equipment	1983	01	12	15,012	CPI		202.6	99.6	2.0341	30,536
377	Power Operated Equipment	345	Power Operated Equipment	1984	01	12	10,715	CPI		202.6	103.9	1.95	20,894
377	Power Operated Equipment	345	Power Operated Equipment	1986	01	12	8,407	CPI		202.6	109.6	1.8485	15,540
377	Power Operated Equipment	345	Power Operated Equipment	1987	01	12	26,996	CPI		202.6	113.6	1.7835	48,147
377	Power Operated Equipment	345	Power Operated Equipment	1988	01	12	42,383	CPI		202.6	118.3	1.7126	72,585
377	Power Operated Equipment	345	Power Operated Equipment	1989	01	12	4,682	CPI		202.6	124	1.6339	7,650
377	Power Operated Equipment	345	Power Operated Equipment	1990	01	12	6,105	CPI		202.6	130.7	1.5501	9,463
377	Power Operated Equipment	345	Power Operated Equipment	1991	01	12	20,338	CPI		202.6	136.2	1.4875	30,253
377	Power Operated Equipment	345	Power Operated Equipment	1992	01	12	21,845	CPI		202.6	140.3	1.444	31,544
377	Power Operated Equipment	345	Power Operated Equipment	1993	01	12	1,551	CPI		202.6	144.5	1.4021	2,175
377	Power Operated Equipment	345	Power Operated Equipment	1994	01	12	14,668	CPI		202.6	148.2	1.3671	20,053
		345 Total					249,261						634,172
376	General Communication Equipment	346	Communication Equipment	1969	01	12	934	CPI		202.6	36.7	5.5204	5,156
376	General Communication Equipment	346	Communication Equipment	1970	01	12	3,369	CPI		202.6	38.8	5.2216	17,592
376	General Communication Equipment	346	Communication Equipment	1971	01	12	628	CPI		202.6	40.5	5.0025	3,142
376	General Communication Equipment	346	Communication Equipment	1982	01	12	6,335	CPI		202.6	96.5	2.0995	13,300
376	General Communication Equipment	346	Communication Equipment	1983	01	12	4,188	CPI		202.6	99.6	2.0341	8,519
376	General Communication Equipment	346	Communication Equipment	1984	01	12	5,830	CPI		202.6	103.9	1.95	11,369
376	General Communication Equipment	346	Communication Equipment	1985	01	12	344	CPI		202.6	107.6	1.8829	648
376	General Communication Equipment	346	Communication Equipment	1986	01	12	2,879	CPI		202.6	109.6	1.8485	5,322
376	General Communication Equipment	346	Communication Equipment	1988	01	12	9,620	CPI		202.6	118.3	1.7126	16,475
376	General Communication Equipment	346	Communication Equipment	1989	01	12	1,731	CPI		202.6	124	1.6339	2,828
376	General Communication Equipment	346	Communication Equipment	1990	01	12	8,421	CPI		202.6	130.7	1.5501	13,053
376	General Communication Equipment	346	Communication Equipment	1991	01	12	11,283	CPI		202.6	136.2	1.4875	16,783
376	General Communication Equipment	346	Communication Equipment	1992	01	12	6,337	CPI		202.6	140.3	1.444	9,151
376	General Communication Equipment	346	Communication Equipment	1993	01	12	55,099	CPI		202.6	144.5	1.4021	77,254
376	General Communication Equipment	346	Communication Equipment	1994	01	12	10,642	CPI		202.6	148.2	1.3671	14,549
376	General Communication Equipment	346	Communication Equipment	1995	01	12	2,102	CPI		202.6	152.4	1.3294	2,794
376	General Communication Equipment	346	Communication Equipment	1996	01	12	8,538	CPI		202.6	156.9	1.2813	11,025
376	General Communication Equipment	346	Communication Equipment	1997	01	12	12,347	CPI		202.6	160.5	1.2623	15,586
376	General Communication Equipment	346	Communication Equipment	2003	07	12	8,202	CPI		202.6	184.6	1.0975	9,002

Exhibit
Schedule B-4-A
Witness: Bourassa

Chaparral City Water Company
General Office Tended Reconstruction Cost Plant Base
Test Year December 31, 2006

Class	Class Description	Naruc	Naruc Description	Year	Month	Month	Original Cost	Source	HW155	Base	Index	Factor	RCN
376	General Communication Equipment	346	Communication Equipment	2004	01	06	6,732	CPI		202.6	187.6	1.08	7,271
		346 Total					165,561						260,818
301		301		1941	01	12	16,452	NONE		0	0	1	16,452
303		303		1995	01	12	420,000	NONE		0	0	1	420,000
303		303		1996	01	12	95,017	NONE		0	0	1	95,017
303		303		2004	07	12	243,130	NONE		0	0	1	243,130
303		303		2007	01	06	159,087	NONE		0	0	1	159,087
		Grand Total					23,400,978						30,907,420

Class	Class Description	Naruc	Naruc Description	Year	Month	Month	(1) Ratio RCN to Orig. Cost	(2) Allocated Accumulated Depreciation	(1)X(2) Trended Accumulated Depreciation
306	Land, Cap Easmts	303	Land and Land Rights	1969	01	12			
306	Land, Cap Easmts	303	Land and Land Rights	1988	01	12			
306	Land, Cap Easmts	303	Land and Land Rights	1989	01	12			
306	Land, Cap Easmts	303	Land and Land Rights	1991	01	12			
306	Land, Cap Easmts	303	Land and Land Rights	1992	01	12			
303		303 Total					1.0000		0
371	General Structure and Improvements	304	Structures and Improvements	1970	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1971	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1985	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1986	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1988	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1989	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1990	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1991	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1992	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1993	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1994	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1995	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1996	01	12			
371	General Structure and Improvements	304	Structures and Improvements	1998	01	06			
371	General Structure and Improvements	304	Structures and Improvements	1999	07	12			
371	General Structure and Improvements	304	Structures and Improvements	2002	01	06			
371	General Structure and Improvements	304	Structures and Improvements	2002	07	12			
371	General Structure and Improvements	304	Structures and Improvements	2003	01	06			
371	General Structure and Improvements	304	Structures and Improvements	2004	07	12			
371	General Structure and Improvements	304	Structures and Improvements	2005	07	12			
371	General Structure and Improvements	304	Structures and Improvements	2006	07	12			
304		304 Total					1.6164	2,354,430	3,805,726
324	Pumping Equipment	311	Electric Pumping Equipment	1969	01	12			
324	Pumping Equipment	311	Electric Pumping Equipment	1990	01	12			
317	General Other Plant	339	Other Plant and Equipment	1988	07	12			
379	General Other Plant	339	Other Plant and Equipment	1991	01	12			
379	General Other Plant	339	Other Plant and Equipment	1992	01	12			
372	General Office Furniture and Equipment	339	Office Furniture and Equipment	1991	01	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1992	01	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1993	01	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1994	01	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1995	01	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1996	01	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1997	01	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1998	01	06			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1998	07	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1999	01	06			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	1999	07	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2000	01	06			
339		339 Total					1.2455	162,569	202,477
311		311 Total					2.0302		0

Chaparral City Water Company
General Office Trended Reconstruction Cost Plant Base
Test Year December 31, 2006

Exhibit
Schedule B-4-A
Witness: Bourassa

Class	Class Description	Naruc	Naruc Description	Year	Month	Month	(1) Ratio RCN to Orig. Cost	(2) Allocated Accumulated Depreciation	(1)X(2) Trended Accumulated Depreciation
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2000	07	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2001	01	06			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2001	07	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2002	01	06			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2002	07	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2003	01	06			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2003	07	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2004	01	06			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2004	07	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2005	01	06			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2005	07	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2006	01	06			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2006	07	12			
372	General Office Furniture and Equipment	340	Office Furniture and Equipment	2007	01	06	1.2046	8,664,647	10,437,484
373	General Transportation Equipment	341	Transportation Equipment	1990	01	12			
373	General Transportation Equipment	341	Transportation Equipment	1991	01	12			
373	General Transportation Equipment	341	Transportation Equipment	1996	01	12			
373	General Transportation Equipment	341	Transportation Equipment	1998	01	06			
373	General Transportation Equipment	341	Transportation Equipment	1998	07	12			
373	General Transportation Equipment	341	Transportation Equipment	1999	01	06			
373	General Transportation Equipment	341	Transportation Equipment	2000	01	06			
373	General Transportation Equipment	341	Transportation Equipment	2002	07	12			
373	General Transportation Equipment	341	Transportation Equipment	2003	01	06			
373	General Transportation Equipment	341	Transportation Equipment	2004	01	06			
373	General Transportation Equipment	341	Transportation Equipment	2004	07	12			
373	General Transportation Equipment	341	Transportation Equipment	2005	07	12			
373	General Transportation Equipment	341	Transportation Equipment	2006	07	12			
373	General Transportation Equipment	341	Transportation Equipment	2006	07	12	1.0974	552,718	606,574
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1943	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1945	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1946	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1947	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1948	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1949	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1951	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1952	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1953	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1954	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1955	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1956	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1957	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1958	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1959	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1960	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1961	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1963	01	12			

Chaparral City Water Company
General Office Trended Reconstruction Cost Plant Base
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Class	Class Description	Naruc	Naruc Description	Year	Month	Month	(1) Ratio RCN to Orig. Cost	(2) Allocated Accumulated Depreciation	(1)X(2) Trended Accumulated Depreciation
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1984	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1985	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1986	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1988	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1969	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1970	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1971	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1972	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1973	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1974	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1975	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1976	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1977	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1978	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1981	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1982	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1984	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1986	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1987	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1988	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1989	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1990	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1991	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1992	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1993	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	1994	01	12			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	2001	01	06			
378	General Tool, Shop, & Garage Equipment	343	Tools and Work Equipment	2003	07	12	1.6352	192,488	314,752
375	Laboratory Equipment	344	Laboratory Equipment	1951	01	12			
375	Laboratory Equipment	344	Laboratory Equipment	1952	01	12			
375	Laboratory Equipment	344	Laboratory Equipment	1956	01	12			
375	Laboratory Equipment	344	Laboratory Equipment	1957	01	12			
375	Laboratory Equipment	344	Laboratory Equipment	1958	01	12			
375	Laboratory Equipment	344	Laboratory Equipment	1959	01	12			
375	Laboratory Equipment	344	Laboratory Equipment	1960	01	12			
375	Laboratory Equipment	344	Laboratory Equipment	1981	01	12			
375	Laboratory Equipment	344	Laboratory Equipment	1982	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1945	01	12	3.7818	4,062	15,362
377	Power Operated Equipment	345	Power Operated Equipment	1946	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1948	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1956	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1957	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1958	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1959	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1960	01	12			

Chaparral City Water Company
General Office Trended Reconstruction Cost Plant Base
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 (1)X(2)

Class	Class Description	Naruc	Naruc Description	Year	Month	Month	(1) Ratio RCN to Orig. Cost	(2) Allocated Accumulated Depreciation	(1)X(2) Trended Accumulated Depreciation
377	Power Operated Equipment	345	Power Operated Equipment	1964	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1965	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1966	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1967	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1968	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1969	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1970	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1971	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1972	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1974	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1975	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1976	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1977	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1978	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1980	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1981	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1983	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1984	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1986	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1987	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1988	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1989	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1990	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1991	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1992	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1993	01	12			
377	Power Operated Equipment	345	Power Operated Equipment	1994	01	12			
		345 Total					2.5442	249,257	634,162
376	General Communication Equipment	346	Communication Equipment	1969	01	12			
376	General Communication Equipment	346	Communication Equipment	1970	01	12			
376	General Communication Equipment	346	Communication Equipment	1971	01	12			
376	General Communication Equipment	346	Communication Equipment	1982	01	12			
376	General Communication Equipment	346	Communication Equipment	1983	01	12			
376	General Communication Equipment	346	Communication Equipment	1984	01	12			
376	General Communication Equipment	346	Communication Equipment	1985	01	12			
376	General Communication Equipment	346	Communication Equipment	1986	01	12			
376	General Communication Equipment	346	Communication Equipment	1988	01	12			
376	General Communication Equipment	346	Communication Equipment	1989	01	12			
376	General Communication Equipment	346	Communication Equipment	1990	01	12			
376	General Communication Equipment	346	Communication Equipment	1991	01	12			
376	General Communication Equipment	346	Communication Equipment	1992	01	12			
376	General Communication Equipment	346	Communication Equipment	1993	01	12			
376	General Communication Equipment	346	Communication Equipment	1994	01	12			
376	General Communication Equipment	346	Communication Equipment	1995	01	12			
376	General Communication Equipment	346	Communication Equipment	1996	01	12			
376	General Communication Equipment	346	Communication Equipment	1997	01	12			
376	General Communication Equipment	346	Communication Equipment	2003	07	12			

Chaparral City Water Company
General Office Trended Reconstruction Cost Plant Base
Test Year December 31, 2006

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Class	Class Description	Naruc	Naruc Description	Year	Month	Month	(1) Ratio RCN to Orig. Cost	(2) Allocated Accumulated Depreciation	(1)X(2) Trended Accumulated Depreciation
376	General Communication Equipment	346	Communication Equipment	2004	01	06			
		346	Total						
301		301		1941	01	12	1.5754	165,561	260,818
303		303		1995	01	12	1.0000	3,046	3,046
303		303		1996	01	12	1.0000	211,596	211,596
303		303		2004	07	12	1.0000	0	0
303		303		2007	01	06	1.0000	0	0
			Grand Total				1.3208	12,560,374	16,491,997

Chaparral City Water Company
Test Year Ended December 31, 2006
Computation of Working Capital

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Line

No.

1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	\$	380,118
3	Pumping Power (1/24 of Pumping Power)		25,124
4	Purchased Water (1/24 of Purchased Water)		34,652
5			
6			
7			
8			
9	Total Working Capital Allowance	<u>\$</u>	<u>439,894</u>
10			
11			
12	Working Capital Requested	<u>\$</u>	<u>-</u>
13			
14			
15	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>	
16	E-1	B-1	
17			

C SCHEDULES

Chaparral City Water Company
Test Year Ended December 31, 2006
Income Statement

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Schedule C-1
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Line No.		Test Year Book Results	Label	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues						
2	Metered Water Revenues	\$ 7,673,618	6	\$ (309,207)	\$ 7,364,411	\$ 3,063,400	\$ 10,427,811
3	Unmetered Water Revenues	-			-		-
4	Other Water Revenues	82,289			82,289		82,289
5		<u>\$ 7,755,907</u>		<u>\$ (309,207)</u>	<u>\$ 7,446,700</u>	<u>\$ 3,063,400</u>	<u>\$ 10,510,100</u>
6	Operating Expenses						
7	Salaries and Wages	\$ 924,576	3a	44,668	\$ 969,244		\$ 969,244
8	Purchased Water	934,095	5	(102,439)	831,656		831,656
9	Purchased Power	618,039	8,9,10	(15,057)	602,982		602,982
10	Chemicals	127,457			127,457		127,457
11	Repairs and Maintenance	104,609			104,609		104,609
12	Office Supplies and Expense	19,800			19,800		19,800
13	Outside Services	266,544			266,544		266,544
14	Water Testing	43,458			43,458		43,458
15	Rents	-			-		-
16	Transportation Expenses	70,430			70,430		70,430
17	Insurance - General Liability	(1,294)			(1,294)		(1,294)
18	Insurance - health and Life	-			-		-
19	Reg. Commission Exp. - Rate Case	168,158	4	(23,287)	144,871		144,871
20	Miscellaneous Expense	1,243,108	3b	16,840	1,259,948		1,259,948
21	Depreciation Expense	1,632,458	1	(24,439)	1,608,019		1,608,019
22	Amortization of Gain on Well	-	11	(76,000)	(76,000)		(76,000)
23	Amortization of CAP	-	13	64,000	64,000		64,000
24	Taxes Other Than Income	44,200	3c	3,673	47,873		47,873
25	Property Taxes	242,105	2	53,708	295,813		295,813
26	Income Tax	241,774	14	28,246	270,020	1,182,438	1,452,458
27	Total Operating Expenses	<u>\$ 6,679,517</u>		<u>\$ (30,088)</u>	<u>\$ 6,649,429</u>	<u>\$ 1,182,438</u>	<u>\$ 7,831,867</u>
28	Operating Income	<u>\$ 1,076,390</u>		<u>\$ (279,119)</u>	<u>\$ 797,271</u>	<u>\$ 1,880,962</u>	<u>\$ 2,678,233</u>
29	Other Income (Expense)						
30	Interest Income	64,397	7a	(64,397)	-		-
31	Other income (loss)	(91,835)	3b	91,835	-		-
32	Interest Expense	(543,433)	12	175,696	(367,737)		(367,737)
33	Other Expense	(400)	7c	400	-		-
34		-			-		-
35	Total Other Income (Expense)	<u>\$ (571,271)</u>		<u>\$ 203,534</u>	<u>\$ (367,737)</u>	<u>\$ -</u>	<u>\$ (367,737)</u>
36	Net Profit (Loss)	<u>\$ 505,119</u>		<u>\$ (75,585)</u>	<u>\$ 429,534</u>	<u>\$ 1,880,962</u>	<u>\$ 2,310,496</u>

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38 SUPPORTING SCHEDULES:
39 C-2
40 E-2

RECAP SCHEDULES:
A-1

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Witness: Bour

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Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustments to Revenues and Expenses

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Schedule C-2
Page 1
Witness: Bourassa

	<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>17</u>	<u>18</u>	<u>Total</u>
	<u>CAP Cost</u>	<u>Income</u>					
	<u>Amortization</u>	<u>Taxes</u>					
Revenues							
Expenses	64,000	28,246					(309,207)
Operating Income	(64,000)	(28,246)	-	-	-	-	(279,119)
Interest Expense							175,696
Other Income / Expense							27,838
Net Income	(64,000)	(28,246)	-	-	-	-	(75,585)

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Schedule C-2
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Line No.	Account	Description	Original Cost	Proposed Rate	Depreciation Expense	
1	<u>Depreciation Expense</u>					
2						
3						
4	No.	Description	Original Cost	Proposed Rate	Depreciation Expense	
5	301	Organization Cost	-	0.00%	-	
6	302	Franchise Cost	-	0.00%	-	
7	303	Land and Land Rights	305,920	0.00%	-	
8	304	Structures and Improvements	1,518,648	3.33%	50,571	
9	305	Collecting and Impounding Res.	6,548	2.50%	164	
10	306	Lake River and Other Intakes	-	2.50%	-	
11	307	Wells and Springs	332,065	3.33%	11,058	
12	308	Infiltration Galleries and Tunnels	-	6.67%	-	
13	309	Supply Mains	-	2.00%	-	
14	310	Power Generation Equipment	-	5.00%	-	
15	311	Electric Pumping Equipment	1,506,908	12.50%	188,364	
16	320	Water Treatment Equipment	7,763,500	3.33%	258,525	
17	330	Distribution Reservoirs & Standpipe	8,170,420	2.22%	181,383	
18	331	Transmission and Distribution Mains	17,450,634	2.00%	349,013	
19	333	Services	7,389,930	3.33%	246,085	
20	334	Meters	2,725,673	8.33%	227,049	
21	335	Hydrants	1,171,633	2.00%	23,433	
22	336	Backflow Prevention Devices	-	6.67%	-	
23	339	Other Plant and Miscellaneous Equipment	1,610,687	6.67%	107,433	
24	340	Office Furniture and Fixtures	270,359	6.67%	18,033	
25	341	Transportation Equipment	535,315	20.00%	107,063	
26	342	Stores Equipment	-	4.00%	-	
27	343	Tools and Work Equipment	149,365	5.00%	7,468	
28	344	Laboratory Equipment	-	10.00%	-	
29	345	Power Operated Equipment	-	5.00%	-	
30	346	Communications Equipment	39,105	10.00%	3,911	
31	347	Miscellaneous Equipment	106,542	10.00%	10,654	
32	348	Other Tangible Plant	-	10.00%	-	
33		TOTALS	\$ 51,053,253		\$ 1,790,204	
34	General Office Plant Allocated					
35	301	Organization	528	0.00%	-	
36	302	Other Intangible Plant	0	0.00%	-	
37	304	Structures and Improvements	186,270	3.33%	6,203	
38	339	Other Plant and Equipment	27,201	3.33%	906	
39	340	Office Furniture and Equipment	458,027	6.67%	30,537	
40	341	Transportation Equipment	17,742	20.00%	-	Fully Depreciated
41	343	Tools and Work Equipment	13,021	5.00%	651	
42	344	Laboratory Equipment	130	10.00%	13	
43	346	Communication Equipment	5,315	10.00%	-	Fully Depreciated
44	345	Power Operated Equipment	8,001	5.00%	-	Fully Depreciated
45	Total GO Plant		\$ 716,236		\$ 38,309	
46	Less: Amortization of Contributions - Balance End of TY					
47			\$ 6,288,097	3.5065%	\$ (220,495)	
48	Total Depreciation Expense				\$ 1,608,019	
49						
50	Test Year Depreciation Expense				\$ 1,632,458	
51						
52	Increase (decrease) in Depreciation Expense				(24,439)	
53						
54	Adjustment to Revenues and/or Expenses				\$ (24,439)	

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Schedule C-2
Page 3
Witness: Bourassa

Line No.		
1	Property Taxes:	
2		
3	Adjusted Revenues in year ended 12/31/06	\$ 7,446,700
4	Adjusted Revenues in year ended 12/31/06	7,446,700
5	Proposed Revenues	10,510,100
6	Average of three year's of revenue	\$ 8,467,834
7	Average of three year's of revenue, times 2	\$ 16,935,668
8	Add:	
9	Construction Work in Progress at 10%	\$ -
10	Deduct:	
11	Book Value of Transportation Equipment	428,309
12		
13	Full Cash Value	\$ 16,507,358
14	Assessment Ratio	23%
15	Assessed Value	3,796,692
16	Property Tax Rate	7.7913%
17		
18	Property Tax	295,813
19	Tax on Parcels	0
20		
21	Total Property Tax at Proposed Rates	\$ 295,813
22	Property Taxes in the test year	242,105
23	Change in Property Taxes	\$ 53,708
24		
25		
26	Adjustment to Revenues and/or Expenses	\$ 53,708
27		
28		

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Schedule C-2
Page 4
Witness: Bourassa

Line
No.

1 Annualization of Salaries and Wages

2

3

4 Adjusted and Annualized Salaries & Wages

\$ 678,179

5 Test Year Salaries & Wages

\$ 633,511

6 Increase(decrease) in Salaries and Wages

\$ 44,668 3a

Acct 611

7

8 Adjusted and Annualized Employee Benefits

\$ 255,674

9 Test Year Employee Benefits

\$ 238,834

10 Increase(decrease) in Employee Benefits

\$ 16,840 3b

Acct 675

11

12 Adjusted and Annualized Payroll Taxes

\$ 53,472

13 Test Year Payroll Taxes

\$ 49,799

14 Increase(decrease) in Payroll Taxes

\$ 3,673 3c

Acct 408.11

15

16
17 Adjustment to Revenues and/or Expenses

\$ 65,181

18

19 SUPPORTING SCHEDULES

20 Pages 4a through 4d

Chaparral City Water Company
Test Year Ended December 31, 2006
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Line

No.

1	<u>Rate Case Expense</u>		
2			
3	Estimated Rate Case Expense	\$	280,000
4	Unrecovered Rate Case Expense (Prior Case) ¹	\$	154,613
5	Rate Case Expense	\$	434,613
6			
7	Estimated Amortization Period (in Years)		3.0
8			
9	Annual Rate Case Expense	\$	144,871
10			
11	Test Year Rate Case Expense	\$	168,158
12			
13	Increase(decrease) Rate Case Expense	\$	(23,287)
14			
15	Adjustment to Revenue and/or Expense	\$	(23,287)
16			
17			
18	¹ Computation of Unrecovered Rate Case Amount		
19	Rate Case Expense	\$	285,000 [1]
20	Amortization Period (yrs)		4 [2]
21	Annual Amortization amount	\$	71,250 [3] = [1] divided by [2]
22	Amortization (years)		1.83 [4]
23	Total Amortization	\$	130,388 [5] = [4] times [3]
24	Remaining Unrecovered Rate Case Expense	\$	154,613 [6] = [1] minus [5]

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Line

No.

1	Purchased Water		
2			
3	Central Arizona Project water allocation 2006 (acre feet)	6,978	
4	Additional CAP allocation (acre feet)	1,931	
5	Central Arizona Project water allocation 2006 (acre feet)	<u>8,909</u>	
6	2008 capital cost per acre foot (take or pay)	\$ 21	
7	Total Capital Cost		\$ 187,089
8			
9	Central Arizona Project water delivered 2006 (acre feet)	6,978	
10	Excess CAP water delivered 2006 (acre feet)	260	
11	Additional gallons from annualization in acre feet	<u>(705)</u>	
12	Total CAP water (acre feet)	6,533	
13	2008 delivery cost per acre foot	\$ 92	
14	Total M&I Cost		\$ 601,017
15			
16	Total CAP purchased water		\$ 788,106
17			
18	Ground Water pumped 2006 in acre feet	260	
19	Excess Capacity percentage	<u>67%</u>	
20	Total projected gallons pumped		174
21	Central Arizona Ground Water Replenishment District Assessment Fee per acre foot	\$ 250	
22			<u>43,550</u>
23			
24	Total Purchased Water Cost		\$ 831,656
25	Test Year Purchased Water Cost		<u>934,095</u>
26	Increase (decrease)		<u>\$ (102,439)</u>
27			
28			
29	Adjustment to Revenue and/or Expense		<u>\$ (102,439)</u>
30			

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Line

No.

1 Revenue Annualization

2

3

4 Revenue Annualization

\$ (309,207)

5

6

7

8 Total Revenue from Annualization

\$ (309,207)

9

10

11 Adjustment to Revenue and/or Expense

\$ (309,207)

12

13 SUPPORTING SCHEDULES

14 C-2 pages 7.1 to 7.15

15 H-1

16

17

18

19

20

Chaparral City Water Company

3/4 Inch Residential

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Schedule C-2
Page 7.1
Witness: Bourassa

Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	
1	Year End Number of Customers								
2	Actual Customers	8,373	8,373	8,373	8,373	8,373	8,373	8,373	
3	Increase in Number of Customers/Bills	8,380	8,370	8,383	8,390	8,380	8,364	8,353	
4	Average Revenue / Present Rates	(7)	3	(10)	(17)	(7)	9	20	
5	Revenue Annualization / Present Rates	\$ 31.10	\$ 29.04	\$ 28.44	\$ 30.82	\$ 30.58	\$ 37.09	\$ 39.14	
6		\$ (218)	\$ 87	\$ (284)	\$ (524)	\$ (214)	\$ 334	\$ 783	
7	Increase in Number of Customers	(7)	3	(10)	(17)	(7)	9	20	
8	Average Revenue / Proposed Rates	\$ 42.43	\$ 39.63	\$ 38.80	\$ 42.05	\$ 41.73	\$ 50.61	\$ 53.40	
9	Revenue Annualization / Proposed Rates	\$ (297)	\$ 119	\$ (388)	\$ (715)	\$ (292)	\$ 455	\$ 1,068	
10	Additional Gallons to be Produced	(55,604)	21,385	(68,870)	(133,173)	(54,174)	90,894	215,479	
11									
12									
13									
14									
15	Year End Number of Customers	8,373	8,373	8,373	8,373	8,373	8,373	8,373	
16	Actual Customers	8,362	8,350	8,355	8,355	8,373	8,373	8,373	
17	Increase in Number of Customers/Bills	11	23	18	18	-	-	61	
18	Average Revenue / Present Rates	\$ 33.41	\$ 35.99	\$ 31.66	\$ 32.67	\$ 30.44			
19	Revenue Annualization / Present Rates	\$ 367	\$ 828	\$ 570	\$ 588	\$ -		\$ 2,317	
20									
21	Increase in Number of Customers	11	23	18	18	-			
22	Average Revenue / Proposed Rates	\$ 45.58	\$ 49.11	\$ 43.20	\$ 44.57	\$ 41.54			
23	Revenue Annualization / Proposed Rates	\$ 367	\$ 828	\$ 570	\$ 588	\$ -		\$ 3,161	
24	Additional Gallons to be Produced	97,466	223,956	147,029	154,188	-		638,575	

Exhibit
Schedule C-2
Page 7.2
Witness: Bour

[illegible]

Chaparral City Water Company

1 1/2 Inch Residential

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Schedule C-2
Page 7.3
Witness: Bourassa

Line

No.

1 Year End Number of Customers

2 Actual Customers

3 Increase in Number of Customers/Bills

4 Average Revenue / Present Rates

5 Revenue Annualization / Present Rates

6

7 Increase in Number of Customers

8 Average Revenue / Proposed Rates

9 Revenue Annualization / Proposed Rates

10 Additional Gallons to be Produced

11

12

13

14

15 Year End Number of Customers

16 Actual Customers

17 Increase in Number of Customers/Bills

18 Average Revenue / Present Rates

19 Revenue Annualization / Present Rates

20

21 Increase in Number of Customers

22 Average Revenue / Proposed Rates

23 Revenue Annualization / Proposed Rates

24 Additional Gallons to be Produced

Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
22	22	22	22	22	22	22
20	20	21	21	21	21	22
2	2	1	1	1	1	-
\$ 137.51	\$ 114.83	\$ 120.58	\$ 125.86	\$ 119.32	\$ 112.48	\$ 129.19
\$ 275	\$ 230	\$ 121	\$ 126	\$ 119	\$ 112	\$ -
2	2	1	1	1	1	-
\$ 187.61	\$ 156.67	\$ 164.52	\$ 171.72	\$ 162.80	\$ 153.47	\$ 176.27
\$ 375	\$ 313	\$ 165	\$ 172	\$ 163	\$ 153	\$ -
73,101	55,101	29,834	31,929	29,334	26,620	-

Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year
22	22	22	22	22	7
23	22	22	22	22	
(1)	-	-	-	-	
\$ 122.81	\$ 132.63	\$ 112.98	\$ 111.38	\$ 107.77	
\$ (123)	\$ -	\$ -	\$ -	\$ -	\$ 860

(1)	-	-	-	-	
\$ 167.56	\$ 180.95	\$ 154.15	\$ 151.96	\$ 147.04	
\$ (123)	\$ -	\$ -	\$ -	\$ -	\$ 1,174
(30,718)	-	-	-	-	215,200

Chaparral City Water Company

2 Inch Residential

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Schedule C-2
Page 7.4
Witness: Bourassa

Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Total Year
1	Year End Number of Customers	39	39	39	39	39	39	39	
2	Actual Customers	38	39	39	39	39	39	39	
3	Increase in Number of Customers/Bills	1	-	-	-	-	-	-	
4	Average Revenue / Present Rates	\$ 253.25	\$ 216.80	\$ 216.25	\$ 240.19	\$ 251.05	\$ 289.04	\$ 320.32	
5	Revenue Annualization / Present Rates	\$ 253	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
6									
7	Increase in Number of Customers	1	-	-	-	-	-	-	
8	Average Revenue / Proposed Rates	\$ 345.52	\$ 295.80	\$ 295.05	\$ 327.71	\$ 342.52	\$ 394.35	\$ 437.02	
9	Revenue Annualization / Proposed Rates	\$ 346	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
10	Additional Gallons to be Produced	71,527	-	-	-	-	-	-	
11									
12									
13									
14									
15	Year End Number of Customers	39	39	39	39	39	39	39	
16	Actual Customers	39	39	39	39	39	39	39	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-	-	1
18	Average Revenue / Present Rates	\$ 291.92	\$ 282.84	\$ 187.47	\$ 297.89	\$ 234.12			
19	Revenue Annualization / Present Rates	\$ -	\$ -	\$ -	\$ -	\$ -			\$ 253
20									
21	Increase in Number of Customers	-	-	-	-	-	-	-	
22	Average Revenue / Proposed Rates	\$ 398.28	\$ 385.89	\$ 255.78	\$ 406.43	\$ 319.42			
23	Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ -	\$ -	\$ -			\$ 346
24	Additional Gallons to be Produced	-	-	-	-	-			71,527

Chaparral City Water Company

3 Inch Residential

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Schedule C-2
Page 7.5
Witness: Bourassa

Line

No.

1 Year End Number of Customers

2 Actual Customers

3 Increase in Number of Customers/Bills

4 Average Revenue / Present Rates

5 Revenue Annualization / Present Rates

6

7 Increase in Number of Customers

8 Average Revenue / Proposed Rates

9 Revenue Annualization / Proposed Rates

10 Additional Gallons to be Produced

11

12

13

14

15

16 Year End Number of Customers

17 Actual Customers

18 Increase in Number of Customers/Bills

19 Average Revenue / Present Rates

20 Revenue Annualization / Present Rates

21

22 Increase in Number of Customers

23 Average Revenue / Proposed Rates

24 Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
Year End Number of Customers	3	3	3	3	3	3	3
Actual Customers	3	2	2	2	2	3	2
Increase in Number of Customers/Bills	-	1	1	1	1	-	1
Average Revenue / Present Rates	\$ 269.90	\$ 307.28	\$ 336.26	\$ 365.24	\$ 363.98	\$ 334.16	\$ 417.53
Revenue Annualization / Present Rates	\$ -	\$ 307	\$ 336	\$ 365	\$ 364	\$ -	\$ 418
Increase in Number of Customers	-	1	1	1	1	-	1
Average Revenue / Proposed Rates	\$ 368.25	\$ 419.24	\$ 458.78	\$ 498.32	\$ 496.60	\$ 455.92	\$ 569.66
Revenue Annualization / Proposed Rates	\$ -	\$ 419	\$ 459	\$ 498	\$ 497	\$ -	\$ 570
Additional Gallons to be Produced	-	64,001	75,501	87,001	86,501	-	107,750
Year End Number of Customers	3	3	3	3	3	3	3
Actual Customers	3	3	3	3	3	3	3
Increase in Number of Customers/Bills	-	-	-	-	-	-	5
Average Revenue / Present Rates	\$ 289.22	\$ 332.48	\$ 304.76	\$ 335.84	\$ 277.46	\$ -	\$ 1,790
Revenue Annualization / Present Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Increase in Number of Customers	-	-	-	-	-	-	-
Average Revenue / Proposed Rates	\$ 394.60	\$ 453.62	\$ 415.81	\$ 458.21	\$ 378.56	\$ -	\$ 2,443
Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 420,752
Additional Gallons to be Produced	-	-	-	-	-	-	-

Chaparral City Water Company

3/4 Commercial

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Schedule C-2
Page 7.6
Witness: Bourassa

Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	115	115	115	115	115	115	115
2	Actual Customers	116	116	114	115	113	114	115
3	Increase in Number of Customers/Bills	(1)	(1)	1	-	2	1	-
4	Average Revenue / Present Rates	\$ 48.41	\$ 42.45	\$ 42.53	\$ 45.71	\$ 44.38	\$ 52.16	\$ 57.72
5	Revenue Annualization / Present Rates	\$ (48)	\$ (42)	\$ 43	\$ -	\$ 89	\$ 52	\$ -
6								
7	Increase in Number of Customers	(1)	(1)	1	-	2	1	-
8	Average Revenue / Proposed Rates	\$ 66.06	\$ 57.91	\$ 58.03	\$ 62.37	\$ 60.55	\$ 71.17	\$ 78.75
9	Revenue Annualization / Proposed Rates	\$ (66)	\$ (58)	\$ 58	\$ -	\$ 121	\$ 71	\$ -
10	Additional Gallons to be Produced	(13,005)	(11,035)	11,062	-	23,346	14,242	-
11								
12								
13								
14								
15	Year End Number of Customers	115	115	115	115	115	115	115
16	Actual Customers	115	115	116	117	115	115	115
17	Increase in Number of Customers/Bills	-	-	(1)	(2)	-	-	(1)
18	Average Revenue / Present Rates	\$ 49.68	\$ 52.52	\$ 44.52	\$ 49.13	\$ 34.73	-	-
19	Revenue Annualization / Present Rates	\$ -	\$ -	\$ (45)	\$ (98)	\$ -	\$ -	\$ (50)
20								
21	Increase in Number of Customers	-	-	(1)	(2)	-	-	(1)
22	Average Revenue / Proposed Rates	\$ 67.78	\$ 71.67	\$ 60.75	\$ 67.03	\$ 47.38	-	-
23	Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ (45)	\$ (98)	\$ -	\$ -	\$ (68)
24	Additional Gallons to be Produced	-	-	(11,720)	(26,479)	-	-	(13,590)

Chaparral City Water Company

1 Inch Commercial

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Schedule C-2

Page 7.7

Witness: Bourassa

Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	117	117	117	117	117	117	117
2	Actual Customers	112	113	112	112	112	113	114
3	Increase in Number of Customers/Bills	5	4	5	5	5	4	3
4	Average Revenue / Present Rates	\$ 58.36	\$ 66.23	\$ 63.61	\$ 69.71	\$ 68.26	\$ 91.36	\$ 92.10
5	Revenue Annualization / Present Rates	\$ 292	\$ 265	\$ 318	\$ 349	\$ 341	\$ 365	\$ 276
6								
7	Increase in Number of Customers	5	4	5	5	5	4	3
8	Average Revenue / Proposed Rates	\$ 79.63	\$ 90.36	\$ 86.78	\$ 95.11	\$ 93.13	\$ 124.64	\$ 125.65
9	Revenue Annualization / Proposed Rates	\$ 398	\$ 361	\$ 434	\$ 476	\$ 466	\$ 499	\$ 377
10	Additional Gallons to be Produced	70,761	69,099	81,163	93,283	90,404	106,798	80,830
11								
12								
13								
14								
15	Year End Number of Customers	117	117	117	117	117	117	117
16	Actual Customers	113	117	114	117	117	117	117
17	Increase in Number of Customers/Bills	4	-	3	-	-	-	38
18	Average Revenue / Present Rates	\$ 66.40	\$ 70.17	\$ 58.27	\$ 59.66	\$ 53.16		
19	Revenue Annualization / Present Rates	\$ 266	\$ -	\$ 175	\$ -	\$ -		\$ 2,647
20								
21	Increase in Number of Customers	4	-	3	-	-	-	
22	Average Revenue / Proposed Rates	\$ 90.59	\$ 95.74	\$ 79.50	\$ 81.40	\$ 72.52		\$ 3,611
23	Revenue Annualization / Proposed Rates	\$ 266	\$ -	\$ 175	\$ -	\$ -		\$ 704,047
24	Additional Gallons to be Produced	69,365	-	42,343	-	-		

Chaparral City Water Company

1 1/2 Inch Commercial

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Schedule C-2
Page 7.8
Witness: Bourassa

Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	67	67	67	67	67	67	67
2	Actual Customers	65	65	65	66	66	65	66
3	Increase in Number of Customers/Bills	2	2	2	1	1	2	1
4	Average Revenue / Present Rates	\$ 154.90	\$ 150.64	\$ 136.31	\$ 147.52	\$ 147.67	\$ 185.11	\$ 198.12
5	Revenue Annualization / Present Rates	\$ 310	\$ 301	\$ 273	\$ 148	\$ 148	\$ 370	\$ 198
6								
7	Increase in Number of Customers	2	2	2	1	1	2	1
8	Average Revenue / Proposed Rates	\$ 211.35	\$ 205.53	\$ 185.98	\$ 201.27	\$ 201.48	\$ 252.55	\$ 270.30
9	Revenue Annualization / Proposed Rates	\$ 423	\$ 411	\$ 372	\$ 201	\$ 201	\$ 505	\$ 270
10	Additional Gallons to be Produced	86,909	83,524	72,155	40,523	40,584	110,878	60,500
11								
12								
13								
14								
15	Year End Number of Customers	67	67	67	67	67	67	67
16	Actual Customers	66	67	67	67	67	67	67
17	Increase in Number of Customers/Bills	1	-	-	-	-	-	12
18	Average Revenue / Present Rates	\$ 187.15	\$ 183.29	\$ 163.48	\$ 161.57	\$ 172.02		
19	Revenue Annualization / Present Rates	\$ 187	\$ -	\$ -	\$ -	\$ -	\$ 1,934	
20								
21	Increase in Number of Customers	1	-	-	-	-	-	
22	Average Revenue / Proposed Rates	\$ 255.34	\$ 250.07	\$ 223.05	\$ 220.43	\$ 234.70		
23	Revenue Annualization / Proposed Rates	\$ 187	\$ -	\$ -	\$ -	\$ -	\$ 2,639	
24	Additional Gallons to be Produced	56,250	-	-	-	-	551,322	

Chaparral City Water Company

2 Inch Commercial

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Schedule C-2
Page 7.9
Witness: Bourassa

Line No.	Year End Number of Customers	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Actual Customers	71	71	71	71	71	71	71
2	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
3	Average Revenue / Present Rates	\$ 223.05	\$ 218.06	\$ 217.63	\$ 236.71	\$ 251.14	\$ 294.48	\$ 267.22
4	Revenue Annualization / Present Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (267)
5								
6								
7	Increase in Number of Customers	-	-	-	-	-	-	(1)
8	Average Revenue / Proposed Rates	\$ 304.32	\$ 297.51	\$ 296.93	\$ 322.96	\$ 342.64	\$ 401.77	\$ 364.58
9	Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (365)
10	Additional Gallons to be Produced	-	-	-	-	-	-	(77,070)
11								
12								
13								
14								
15	Year End Number of Customers	71	71	71	71	71	71	71
16	Actual Customers	72	72	71	71	71	71	71
17	Increase in Number of Customers/Bills	(1)	(1)	-	-	-	-	(3)
18	Average Revenue / Present Rates	\$ 244.62	\$ 266.60	\$ 247.87	\$ 225.66	\$ 250.45		
19	Revenue Annualization / Present Rates	\$ (245)	\$ (267)	\$ -	\$ -	\$ -		
20								
21	Increase in Number of Customers	(1)	(1)	-	-	-	-	
22	Average Revenue / Proposed Rates	\$ 333.75	\$ 363.74	\$ 338.19	\$ 307.88	\$ 341.70		
23	Revenue Annualization / Proposed Rates	\$ (245)	\$ (267)	\$ -	\$ -	\$ -		
24	Additional Gallons to be Produced	(68,105)	(76,827)	-	-	-		
							\$ (778)	\$ (1,062)
								(222,001)

Chaparral City Water Company

3 Inch Commercial

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit

Schedule C-2

Page 7.10

Witness: Bourassa

Line

No.

1 Year End Number of Customers

2 Actual Customers

3 Increase in Number of Customers/Bills

4 Average Revenue / Present Rates

5 Revenue Annualization / Present Rates

6

7 Increase in Number of Customers

8 Average Revenue / Proposed Rates

9 Revenue Annualization / Proposed Rates

10 Additional Gallons to be Produced

11

12

13

14

15 Year End Number of Customers

16 Actual Customers

17 Increase in Number of Customers/Bills

18 Average Revenue / Present Rates

19 Revenue Annualization / Present Rates

20

21 Increase in Number of Customers

22 Average Revenue / Proposed Rates

23 Revenue Annualization / Proposed Rates

24 Additional Gallons to be Produced

Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of
Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06
5	5	5	5	5	5	5	5	5	5
5	5	6	(1)	(1)	(1)	(1)	(1)	(1)	(1)
\$ 203.21	\$ 240.50	\$ 206.06	\$ 239.75	\$ 243.27	\$ 217.32	\$ 245.79	\$ 217.32	\$ 245.79	\$ 245.79
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of
Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07
5	5	5	5	5	5	5	5	5	5
5	5	5	5	5	5	5	5	5	5
\$ 277.25	\$ 328.14	\$ 281.15	\$ 327.10	\$ 331.92	\$ 296.51	\$ 335.36	\$ 296.51	\$ 335.36	\$ 335.36
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of
Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07
5	5	5	5	5	5	5	5	5	5
5	5	5	5	5	5	5	5	5	5
\$ 281.58	\$ 280.82	\$ 219.84	\$ 211.52	\$ 212.53	\$ 212.53	\$ 212.53	\$ 212.53	\$ 212.53	\$ 212.53
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of
Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07
5	5	5	5	5	5	5	5	5	5
5	5	5	5	5	5	5	5	5	5
\$ 384.18	\$ 383.14	\$ 299.94	\$ 288.60	\$ 289.97	\$ 289.97	\$ 289.97	\$ 289.97	\$ 289.97	\$ 289.97
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of
Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07
5	5	5	5	5	5	5	5	5	5
5	5	5	5	5	5	5	5	5	5
\$ 281.58	\$ 280.82	\$ 219.84	\$ 211.52	\$ 212.53	\$ 212.53	\$ 212.53	\$ 212.53	\$ 212.53	\$ 212.53
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of
Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07
5	5	5	5	5	5	5	5	5	5
5	5	5	5	5	5	5	5	5	5
\$ 384.18	\$ 383.14	\$ 299.94	\$ 288.60	\$ 289.97	\$ 289.97	\$ 289.97	\$ 289.97	\$ 289.97	\$ 289.97
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Chaparral City Water Company

34 Inch Irrigation

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Schedule C-2
Page 7.11
Witness: Bourassa

Line No.	Year End Number of Customers	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Actual Customers	147	147	147	147	147	147	147
2	Increase in Number of Customers/Bills	144	144	144	144	144	145	145
3	Average Revenue / Present Rates	3	3	3	3	3	2	2
4	Revenue Annualization / Present Rates	\$ 37.16	\$ 33.93	\$ 32.14	\$ 33.03	\$ 34.04	\$ 40.61	\$ 52.33
5		\$ 111	\$ 102	\$ 96	\$ 99	\$ 102	\$ 81	\$ 105
6								
7	Increase in Number of Customers	3	3	3	3	3	2	2
8	Average Revenue / Proposed Rates	\$ 70.48	\$ 63.36	\$ 59.41	\$ 61.38	\$ 63.61	\$ 78.09	\$ 103.92
9	Revenue Annualization / Proposed Rates	\$ 211	\$ 190	\$ 178	\$ 184	\$ 191	\$ 156	\$ 208
10	Additional Gallons to be Produced	45,303	39,095	35,647	37,366	39,314	34,628	49,656
11								
12								
13								
14								
15	Year End Number of Customers	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06		Total Year
16	Actual Customers	147	147	147	147	147		
17	Increase in Number of Customers/Bills	146	146	147	147	147		
18	Average Revenue / Present Rates	1	1	-	-	-		21
19	Revenue Annualization / Present Rates	\$ 45.61	\$ 49.16	\$ 42.35	\$ 40.33	\$ 35.44		
20		\$ 46	\$ 49	\$ -	\$ -	\$ -		\$ 792
21								
22	Increase in Number of Customers	1	1	-	-	-		
23	Average Revenue / Proposed Rates	\$ 89.11	\$ 96.93	\$ 81.92	\$ 77.48	\$ 66.69		\$ 1,505
24	Revenue Annualization / Proposed Rates	\$ 46	\$ 49	\$ -	\$ -	\$ -		\$ 324,325
	Additional Gallons to be Produced	20,521	22,795	-	-	-		

Chaparral City Water Company

1 Inch Irrigation

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Schedule C-2
Page 7.12
Witness: Bourassa

Line

No.

Year End Number of Customers

Actual Customers

Increase in Number of Customers/Bills

Average Revenue / Present Rates

Revenue Annualization / Present Rates

Increase in Number of Customers

Average Revenue / Proposed Rates

Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

Year End Number of Customers

Actual Customers

Increase in Number of Customers/Bills

Average Revenue / Present Rates

Revenue Annualization / Present Rates

Increase in Number of Customers

Average Revenue / Proposed Rates

Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

Month of	Month of	Month of	Month of	Month of	Month of	Month of
Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06
176	176	176	176	176	176	176
166	166	169	167	167	167	167
10	10	7	9	9	9	9
\$ 81.05	\$ 68.21	\$ 65.06	\$ 66.65	\$ 69.18	\$ 88.27	\$ 110.81
\$ 811	\$ 682	\$ 455	\$ 600	\$ 623	\$ 794	\$ 997
\$ 159.56	\$ 131.27	\$ 124.32	\$ 127.82	\$ 133.41	\$ 175.48	\$ 225.15
\$ 1,596	\$ 1,313	\$ 870	\$ 1,150	\$ 1,201	\$ 1,579	\$ 2,026
374,040	291,751	190,059	253,539	268,171	378,300	508,315

Month of	Month of	Month of	Month of	Month of	Month of	Total Year
Aug-06	Sep-06	Oct-06	Nov-06	Dec-06		
176	176	176	176	176		
169	171	173	176	176		
7	5	3	-	-		78
\$ 118.29	\$ 102.80	\$ 93.47	\$ 98.40	\$ 90.81		
\$ 828	\$ 514	\$ 280	\$ -	\$ -		\$ 6,585

\$ 241.65	\$ 207.51	\$ 186.93	\$ 197.81	\$ 181.07		
\$ 828	\$ 514	\$ 280	\$ -	\$ -		\$ 13,025
428,949	256,742	136,094	-	-		3,085,959

Chaparral City Water Company

15 Inch Irrigation

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Schedule C-2
Page 7.13
Witness: Bourassa

Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	
1	Year End Number of Customers	69	69	69	69	69	69	69	
2	Actual Customers	66	66	71	67	67	67	68	
3	Increase in Number of Customers/Bills	3	3	(2)	2	2	2	1	
4	Average Revenue / Present Rates	\$ 143.74	\$ 116.52	\$ 130.08	\$ 159.46	\$ 145.59	\$ 143.38	\$ 308.96	
5	Revenue Annualization / Present Rates	\$ 431	\$ 350	\$ (260)	\$ 319	\$ 291	\$ 287	\$ 309	
6									
7	Increase in Number of Customers	3	3	(2)	2	2	2	1	
8	Average Revenue / Proposed Rates	\$ 278.68	\$ 218.69	\$ 248.57	\$ 313.31	\$ 282.75	\$ 277.88	\$ 642.80	
9	Revenue Annualization / Proposed Rates	\$ 836	\$ 656	\$ (497)	\$ 627	\$ 566	\$ 556	\$ 643	
10	Additional Gallons to be Produced	189,115	136,774	(108,564)	146,225	128,448	125,613	168,949	
11									
12									
13									
14									
15	Year End Number of Customers	69	69	69	69	69	69	69	
16	Actual Customers	68	69	69	69	69	69	69	
17	Increase in Number of Customers/Bills	1	-	-	-	-	-	12	
18	Average Revenue / Present Rates	\$ 174.49	\$ 165.27	\$ 148.26	\$ 206.95	\$ 127.05			
19	Revenue Annualization / Present Rates	\$ 174	\$ -	\$ -	\$ -	\$ -	\$ 1,901		
20									
21	Increase in Number of Customers	1	-	-	-	-	-	-	
22	Average Revenue / Proposed Rates	\$ 346.45	\$ 326.13	\$ 288.64	\$ 417.98	\$ 241.90			
23	Revenue Annualization / Proposed Rates	\$ 174	\$ -	\$ -	\$ -	\$ -	\$ 3,732		
24	Additional Gallons to be Produced	82,750	-	-	-	-	869,309		

[illegible]

Chaparral City Water Company
Test Year Ended December 31, 2006
Revenue Annualization
4 Inch Irrigation Meters

Line No.	Month	2006		2006		2007		Projected Amount Billed		Projected Amount Billed	
		Actual Usage	Current Rates	Amount Billed	Proposed Rates	Usage	Amount Billed	Current Rates	Amount Billed	Proposed Rates	Amount Billed
1	Jan.	-	\$ 227.00	\$ 309.74	-	-	Actual	\$ 227.00	\$ 309.74		
2	Feb.	17,000	253.52	368.19	-	-	Actual	227.00	309.74		
3	Mar.	31,614,000	49,544.84	108,998.67	-	-	Actual	227.00	309.74		
4	Apr.	-	227.00	309.74	-	-	Actual	227.00	309.74		
5	May	4,671,000	7,513.76	16,368.64	430,000	Actual	897.80	897.80	1,788.08		
6	Jun.	11,344,000	17,923.64	39,310.41	1,372,000	Actual	2,367.32	2,367.32	5,026.68		
7	Jul.	4,536,000	7,303.16	15,904.51	2,440,000	Actual	4,033.40	4,033.40	8,698.46		
8	Aug.	-	227.00	309.74	606,000	Est.	227.00	227.00	309.74		
9	Sep.	-	227.00	309.74	606,000	Est.	227.00	227.00	309.74		
10	Oct.	-	227.00	309.74	606,000	Est.	227.00	227.00	309.74		
11	Nov.	597,000	1,158.32	2,362.23	597,000	Est.	1,158.32	1,158.32	2,362.23		
12	Dec.	381,000	821.36	1,619.62	381,000	Est.	821.36	821.36	1,619.62		
13	Total	53,160,000	\$ 85,653.60	\$ 186,480.96	7,038,000			\$ 10,867.20	\$ 21,663.24		
14		[1]	[2]	[3]	[4]			[5]	[6]		
15	Annualization at present rates [5] - [2]			\$ (74,786.40)							
16	Annualization at proposed rates [6] - [3]			\$ (164,817.72)							
17	Additional Gallons (in 1,000's) [4] - [1] / 1000			(46,122)							

Chaparral City Water Company
Test Year Ended December 31, 2006
Revenue Annualization
6 Inch Irrigation Meters

Line No.	Sunridge Canyon G.C. Account: 6008478-7	2006		2006		2007 Usage	Projected Amount Billed		Projected Amount Billed
		Actual Usage	Current Rates	Amount Billed	Proposed Rates		Current Rates	Proposed Rates	
7	Jan.	-	\$ 454.00	\$ 619.47	Actual	256,000	\$ 227.00	\$ 309.74	
8	Feb.	505,000	1,241.80	2,355.66	Actual	-	454.00	619.47	
9	Mar.	-	454.00	619.47	Actual	-	454.00	619.47	
10	Apr.	1,312,000	2,500.72	5,130.13	Actual	-	454.00	619.47	
11	May	3,612,000	6,088.72	13,037.53	Actual	1,000	455.56	622.91	
12	Jun.	568,000	1,340.08	2,572.25	Actual	-	454.00	619.47	
13	Jul.	1,173,000	2,283.88	4,652.24	Actual	-	454.00	619.47	
14	Aug.	-	454.00	619.47	Est.	36,714	511.27	745.69	
15	Sep.	-	454.00	619.47	Est.	36,714	753.52	1,279.57	
16	Oct.	1,503,000	2,798.68	5,786.78	Est.	36,714	990.64	1,802.14	
17	Nov.	1,249,000	2,402.44	4,913.53	Est.	36,714	573.45	882.72	
18	Dec.	-	454.00	619.47	Est.	36,714	-	-	
19									
20	Total	9,922,000	\$ 20,926.32	\$ 41,545.48		440,571	\$ 5,781.45	\$ 8,740.12	
21		[1]	[2]	[3]		[4]	[5]	[6]	
22									
23									
24									
25									
26									
27									
28									
29									
30									

Revenue Annualization at present rates [5] - [2] \$ (15,144.87)
Revenue Annualization at proposed rates [6] - [3] \$ (32,805.35)
Additional Gallons (in 1,000's) [4] - [1] / 1000 (9,481)

[illegible]

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Line
No.

1 Remove Other Income and Expenses to Eliminate Effects on Income Taxes

2

3

4 Test Year Interest Income

\$ (64,397)

Adjustment Label

7a

5 Test Year Other Income

91,835

7b

6 Test Year Other Expense

400

7c

7

8 Total

\$ 27,838

9

10

11 Adjustment to Revenue and/or Expense

\$ 27,838

12

13

14

15

16

17

18

19

20

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa

Line
No.

1 Annualize Purchased Power For SRP Rate Increase

2

3

4 Test Year SRP Purchased Power Cost Recorded

\$ 282,377

5 Recomputed 2006 SRP Purchased Power Costs¹

328,339

6 Increase (decrease) in Power Costs

\$ 45,962

7

8

9

10
11 Adjustment to Revenue and/or Expense

\$ 45,962

12

13

14

15

16 ¹ Based upon SRP rate change in November 2006

17

18

19

20

Chaparral City Water Company
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

Line

No.

1 Annualize Purchased Power For APS Rate Increase

2

3

4 Test Year APS Purchased Power Costs Recorded

\$ 335,662

5 Recomputed 2006 APS Purchased Power Costs¹

349,357

6 Increase (decrease) in Power Costs

\$ 13,695

7

8

9

10

11 Adjustment to Revenue and/or Expense

\$ 13,695

12

13

14

15

16 ¹ Based upon APS rate change in June 2007

17

18

19

20

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Line

No.

1	<u>Annualize power cost for additional gallons from annualization of revenues</u>	
2		
3	Test Year Power Costs Plus Adjustment 8 and Adjustment 9	\$ 677,696
4	Gallons sold in Test Year (1,000's)	2,084,339
5	Cost per 1,000 gallons	0.32514
6	Additional gallons from annualization (in 1,000's)	(229,792)
7		
8	Additional Expense	<u>\$ (74,714)</u>
9		
10		
11	Adjustment to Revenue and/or Expense	<u>\$ (74,714)</u>
12		
13		
14		
15		
16		
17		
18		
19		
20		

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Schedule C-2
Page 12
Witness: Bourassa

Line

No.

1 Amortization of Gain on Well

2

3 Gain on Well'

\$ 1,520,000

4 Shared Gain on Well (50%)

\$ 760,000

5 Amortization Period (years)

10

6 Annual Amortization

\$ 76,000

7

8 Adjustment to Revenues and/or Expense

\$ (76,000)

9

10

11

12

13

14 ¹ Settlement with Fountain Hills Sanitary District from removal of wells from service. February 2005.

15

16

17

18

19

20

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Schedule C-2
Page 13
Witness: Bourassa

Line

No.

1 Interest Synchronization

2

3 Rate Base

\$ 28,736,406

4 Weighted cost of debt (from D-1) (short and long-term)

1.28%

5 Interest Expense

\$ 367,737

6 Test Year Interest Expense

\$ 543,433

7

8 Increase (decrease) in Interest Expense

\$ (175,696)

9

10 Adjustment to Revenues and/or Expense

\$ 175,696

11

12

13

14

15

16

17

18

19

20

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 13

Exhibit
Schedule C-2
Page 14
Witness: Bourassa

Line

No.

1 CAP Allocation Cost Amortization

2

3 CAP Allocation Cost

\$ 1,280,000

4 Amortization Period (years)

20

5

6 Test Year Amortization Expense

\$ 64,000

7

8

9

10 Adjustment to Revenues and/or Expense

\$ 64,000

11

12

13

14

15

16

17

18

19

20

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 14

Exhibit
Schedule C-2
Page 15
Witness: Bourassa

Chaparral City Water Company Income Tax Calculation	Test Year Book Results	Test Year Adjusted Results	Adjusted with Rate Increase
Income Before Taxes	746,893	699,554	3,762,954
Arizona Income Before Taxes	746,893	699,554	3,762,954
Less Arizona Income Tax Rate = 6.97%	52,044	48,745	262,203
Arizona Taxable Income	694,849	650,809	3,500,751
Arizona Income Taxes	52,044	48,745	262,203
Federal Income Before Taxes	746,893	699,554	3,762,954
Less Arizona Income Taxes	52,044	48,745	262,203
Federal Taxable Income	694,849	650,809	3,500,751
FEDERAL INCOME TAXES:			
15% BRACKET	7,500	7,500	7,500
25% BRACKET	6,250	6,250	6,250
34% BRACKET	8,500 Federal	8,500 Federal	8,500 Federal
39% BRACKET	91,650 Effective	91,650 Effective	91,650 Effective
34% BRACKET	122,349 Tax Rate	107,375 Tax Rate	1,076,355 Tax Rate
Federal Income Taxes	236,249 31.63%	221,275 31.63%	1,190,255 31.63%
Total Income Tax	288,292	270,020	1,452,458
Overall Tax Rate	38.60%	38.60%	38.60%
Income Tax at Proposed Rates Effective Rate		270,020	

Chaparral City Water Company
Test Year Ended December 31, 2006
Computation of Gross Revenue Conversion Factor

Exhibit
Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	31.63%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	38.60%
9		
10	Operating Income % = 100% - Tax Percentage	61.40%
11		
12		
13		
14		
15	<u>1</u> = Gross Revenue Conversion Factor	
16	Operating Income %	1.6286
17		
18	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
19		A-1
20		

E SCHEDULES

Chaparral City Water Company
Test Year Ended December 31, 2006
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2006	Year Ended 12/31/2005	Year Ended 12/31/2004
1	ASSETS			
2	Plant In Service	\$ 51,020,714	\$ 48,932,146	\$ 43,231,754
3	Non-Utility Plant	-	-	-
4	Construction Work in Progress	2,241,397	1,923,770	3,779,359
5	Less: Accumulated Depreciation	(14,947,296)	(13,137,449)	(12,013,815)
6	Net Plant	\$ 38,314,815	\$ 37,718,467	\$ 34,997,298
7				
8	Goodwill, Net	\$ 11,613,874	\$ 11,840,743	\$ 11,924,367
9	Debt Reserve Funds	728,061	723,120	719,778
10		\$ 12,341,935	\$ 12,563,863	\$ 12,644,145
11	CURRENT ASSETS			
12	Cash and Equivalents	\$ 391,430	\$ 576,802	\$ 292,384
13	Restricted Cash	13,261	8,780	3,132
14	Accounts Receivable, Net	350,897	422,007	152,074
15	Unbilled Revenues	324,967	338,910	276,565
16	Materials and Supplies	14,521	17,029	22,551
17	Prepayments	192,485	172,648	192,160
18	Inter-company taxes receivable from Parent	1,056,938	879,735	565,546
19	Deferred Income Taxes, Current	35,751	-	25,334
20	Other Current Assets	71,000	71,000	-
21	Total Current Assets	\$ 2,451,250	\$ 2,486,911	\$ 1,529,746
22				
23	Debt Issuance Costs	\$ 424,010	\$ 450,511	\$ 477,012
24	Regulatory Assets	\$ -	\$ 239,538	\$ 185,246
25	Other	-	3,991	327
26	Total Other Assets	\$ 424,010	\$ 694,040	\$ 662,585
27				
28	Other Investments & Special Funds	\$ -	\$ -	\$ -
29				
30	TOTAL ASSETS	\$ 53,532,010	\$ 53,463,281	\$ 49,833,774
31				
32	LIABILITIES AND STOCKHOLDERS' EQUITY			
33	Common Equity	\$ 26,179,180	\$ 25,669,835	\$ 24,689,128
34				
35	Long-Term Debt, less current	\$ 6,585,000	\$ 6,865,000	\$ 7,205,309
36	CURRENT LIABILITIES			
37	Accounts Payable	\$ 308,239	\$ 782,651	\$ 538,148
38	Current Portion of Long-Term Debt	280,000	340,309	598,000
39	Payables to Associated Companies	1,400,000	2,159,236	835,576
40	Customer Meter Deposits, Current	-	-	-
41	Accrued Taxes	121,041	-	35,891
42	Accrued Employee expenses	85,679	79,780	87,182
43	Accrued Interest	34,790	62,142	51,012
44	Other Current Liabilities	254,017	306,521	228,732
45	Total Current Liabilities	\$ 2,483,766	\$ 3,730,639	\$ 2,374,541
46	DEFERRED CREDITS			
47	Customer Meter Deposits, less current	\$ 819,845	\$ 927,022	\$ 987,369
48	Advances in Aid of Construction	6,557,243	10,377,960	10,704,058
49	Accumulated Deferred Income Taxes	4,070,137	4,165,898	3,305,583
50	Contributions In Aid of Construction, Net	6,188,963	921,045	525,440
51	Regulatory Liabilities	587,825	-	-
52	Other	60,051	-	-
53	Asset Retirement Obligations	-	805,882	42,346
54	Total Deferred Credits	\$ 18,284,064	\$ 17,197,807	\$ 15,564,796
55				
56	Total Liabilities & Common Equity	\$ 53,532,010	\$ 53,463,281	\$ 49,833,774
57				
58	SUPPORTING SCHEDULES:			
59	E-5			

Chaparral City Water Company
Test Year Ended December 31, 2006
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2006	Prior Year Ended 12/31/2005	Prior Year Ended 12/31/2004
1	Revenues			
2	Metered Water Revenues	\$ 7,673,618	\$ 6,436,004	\$ 6,030,963
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	82,289	583,047	513,256
5	Total Revenues	<u>\$ 7,755,907</u>	<u>\$ 7,019,051</u>	<u>\$ 6,544,219</u>
6	Operating Expenses			
7	Salaries and Wages	\$ 924,576	\$ 917,307	\$ 921,557
8	Purchased Water	934,095	816,592	710,222
9	Purchased Power	618,039	510,091	465,148
10	Chemicals	127,457	105,814	66,210
11	Repairs and Maintenance	104,609	72,640	96,152
12	Office Supplies and Expense	19,800	21,018	28,586
13	Outside Services	266,544	207,484	535,520
14	Water Testing	43,458	27,429	48,991
15	Rents	-	-	79
16	Transportation Expenses	70,430	57,633	76,730
17	Insurance - General Liability	(1,294)	1,860	775
18	Insurance - Health and Life	-	-	-
19	Regulatory Commission Expense - Rate Case	168,158	339,117	35,304
20	Miscellaneous Expense	1,243,108	1,160,406	989,392
21	Depreciation Expense	1,632,458	1,131,345	921,794
22	Taxes Other Than Income	44,200	42,436	43,406
23	Property Taxes	242,105	279,529	280,537
24	Income Tax	241,774	657,847	343,790
25				
26	Total Operating Expenses	<u>\$ 6,679,517</u>	<u>\$ 6,348,548</u>	<u>\$ 5,564,193</u>
27	Operating Income	<u>\$ 1,076,390</u>	<u>\$ 670,503</u>	<u>\$ 980,026</u>
28	Other Income (Expense)			
29	Interest Income	64,397	29,010	4,136
30	Other income (loss)	(91,835)	760,000	-
31	Interest Expense	(543,433)	(478,806)	(472,619)
32	Other Expense	(400)	-	-
33				
34	Total Other Income (Expense)	<u>\$ (571,271)</u>	<u>\$ 310,204</u>	<u>\$ (468,483)</u>
35	Net Profit (Loss)	<u>\$ 505,119</u>	<u>\$ 980,707</u>	<u>\$ 511,543</u>

SUPPORTING SCHEDULES:

RECAP SCHEDULES:
A-2

Chaparral City Water Company
Test Year Ended December 31, 2006
Comparative Statements of Cash Flows

Exhibit
Schedule E-3
Page 1
Witness: Bourassa

Line No.	Test Year Ended 12/31/2006	Prior Year Ended 12/31/2005	Prior Year Ended 12/31/2004
1			
2			
3	Cash Flows from Operating Activities		
4	Net Income	\$ 505,119	\$ 980,707
5	Adjustments to reconcile net income to net cash		\$ 511,543
6	provided by operating activities:		
7	Depreciation and Amortization	1,632,458	1,131,345
8	Provision for Doubtful Accounts	11,835	12,705
9	Deferred Income Taxes	(131,512)	885,649
10	Tax Benefit on Goodwill	226,869	83,624
11	Amortization of Debt Issuance Costs	26,501	26,501
12	Other	93,671	-
13	Changes in Certain Assets and Liabilities:		11,816
14	Accounts Receivable	59,275	(282,638)
15	Unbilled Revenues	13,943	(62,345)
16	Materials and Supplies Inventory	2,508	5,522
17	Prepaid Expenses	(19,837)	19,512
18	Deferred Charges/Regulatory Liabilities	21,481	805,882
19	Accounts Payable	(42,939)	244,503
20	Intercompany payable	34,934	(176,340)
21	Customer Deposits	(107,177)	(60,347)
22	Intercompany taxes receivable and taxes payable	(146,153)	(350,080)
23	Other assets and liabilities	253,543	(57,525)
24	Net Cash Flow provided by Operating Activities	\$ 2,434,519	\$ 3,206,675
25	Cash Flow From Investing Activities:		\$ 2,935,790
26	Capital Expenditures	(2,283,627)	(3,893,252)
27	Plant Held for Future Use	-	-
28	Changes in debt reserve fund	(4,941)	(3,342)
29	Net Cash Flows from Investing Activities	\$ (2,288,568)	\$ (3,896,594)
30	Cash Flow From Financing Activities		\$ (4,069,534)
31	Change in Restricted Cash	(4,481)	(5,648)
32	Change in net amounts due to parent and affiliates	(600,000)	1,500,000
33	Receipt of advances for and contributions in aid of construction	1,099,205	423,676
34	Refunds for advances for construction	(488,128)	(345,691)
35	Repayments of Long-Term Debt	(340,309)	(598,000)
36	Dividends Paid	-	-
37	Tax Benefits from exercise of stock based awards	2,390	-
38	Paid in Capital	-	-
39	Net Cash Flows Provided by Financing Activities	\$ (331,323)	\$ 974,337
40	Increase(decrease) in Cash and Cash Equivalents	(185,372)	284,418
41	Cash and Cash Equivalents at Beginning of Year	576,802	292,384
42	Cash and Cash Equivalents at End of Year	\$ 391,430	\$ 576,802

44 SUPPORTING SCHEDULES:

RECAP SCHEDULES:

A-5

Chaparral City Water Company
Test Year Ended December 31, 2006
Statement of Changes in Stockholder's Equity

Exhibit
Schedule E-4
Page 1
Witness: Bourassa

Line

No.

	Common	Additional	Retained	
	<u>Stock</u>	<u>Paid-In-Capital</u>	<u>Earnings</u>	<u>Total</u>
1				
2				
3				
4	Balance, December 31, 2003	\$ 4,603,140	\$ 14,925,242	\$ 4,649,203 \$ 24,177,585
5	Addnl Paid In Capital Adjustment			-
6	Dividends			-
7	Net Income		511,543	511,543
8	Balance, December 31, 2004	\$ 4,603,140	\$ 14,925,242	\$ 5,160,746 \$ 24,689,128
9	Addnl Paid In Capital			-
10	Dividends			-
11	Net Income		980,707	980,707
12	Balance, December 31, 2005	\$ 4,603,140	\$ 14,925,242	\$ 6,141,453 \$ 25,669,835
13	Addnl Paid In Capital			-
14	Dividends			-
15	Net Income		4,226	505,119 509,345
16	Balance, December 3, 2006	\$ 4,603,140	\$ 14,929,468	\$ 6,646,572 \$ 26,179,180

17

18

19

20

21

22

23 SUPPORTING SCHEDULES:

RECAP SCHEDULES:

Chaparral City Water Company
Test Year Ended December 31, 2006
Detail of Plant in Service

Exhibit
Schedule E-5
Page 1
Witness: Bourassa

Line	Acct.		Plant	Plant	Plant
No.	No.	Plant Description	Balance	Additions, Reclass- ications or Retirements	Balance
			at		at
			12/31/2005		12/31/2006
1					
2	301	Organization Cost	\$ -	\$ -	\$ -
3	302	Franchise Cost	-	-	-
4	303	Land and Land Rights	305,920	-	305,920
5	304	Structures and Improvements	1,453,952	64,696	1,518,648
6	305	Collecting and Impounding Res.	6,548	-	6,548
7	306	Lake River and Other Intakes	-	-	-
8	307	Wells and Springs	332,065	-	332,065
9	308	Infiltration Galleries and Tunnels	-	-	-
10	309	Supply Mains	-	-	-
11	310	Power Generation Equipment	-	-	-
12	311	Electric Pumping Equipment	1,429,796	77,112	1,506,908
13	320	Water Treatment Equipment	7,752,767	10,733	7,763,500
14	330	Distribution Reservoirs & Standpipe	8,049,264	121,156	8,170,420
15	331	Transmission and Distribution Mains	16,532,274	918,360	17,450,634
16	333	Services	6,938,513	451,417	7,389,930
17	334	Meters	2,630,341	95,332	2,725,673
18	335	Hydrants	871,877	299,756	1,171,633
19	336	Backflow Prevention Devices	-	-	-
20	339	Other Plant and Miscellaneous Equipment	1,610,687	-	1,610,687
21	340	Office Furniture and Fixtures	247,269	23,090	270,359
22	341	Transportation Equipment	534,741	573	535,315
23	342	Stores Equipment	-	-	-
24	343	Tools and Work Equipment	145,814	3,551	149,365
25	344	Laboratory Equipment	-	-	-
26	345	Power Operated Equipment	-	-	-
27	346	Communications Equipment	39,105	-	39,105
28	347	Miscellaneous Equipment	83,748	22,794	106,542
29	348	Other Tangible Plant	-	-	-
30		Plant Held for Future Use	-	-	-
31					
32		TOTAL WATER PLANT	\$ 48,964,683	\$ 2,088,570	\$ 51,053,253

SUPPORTING SCHEDULES

RECAP SCHEDULES:

A-4

E-1

Chaparral City Water Company
Test Year Ended December 31, 2006
Operating Statistics

Exhibit
Schedule E-7
Page 1
Witness: Bouras

Line No.		Test Year Ended <u>12/31/2006</u>	Prior Year Ended <u>12/31/2005</u>	Prior Year Ended <u>12/31/2004</u>
1	<u>WATER STATISTICS:</u>			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	2,084,339	1,978,940	1,951,810
6				
7				
8				
9	Water Revenues from Customers:	\$ 7,673,618	\$ 6,436,004	\$ 6,030,963
10				
11				
12				
13				
14	Year End Number of Customers	13,470	13,001	12,567
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	155	152	155
19				
20				
21				
22	Annual Revenue per Year End Customer	\$ 569.68	\$ 495.04	\$ 479.90
23				
24	Pumping Cost Per 1,000 Gallons	\$ 0.2965	\$ 0.2578	\$ 0.2383
25	Purchased Water Cost per 1,000 Gallons	\$ 0.4481	\$ 0.4126	\$ 0.3639

Chaparral City Water Company
Test Year Ended December 31, 2006
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended <u>12/31/2006</u>	Prior Year Ended <u>12/31/2005</u>	Prior Year Ended <u>12/31/2004</u>
1	Description			
2				
3	Federal Income Taxes	\$ 241,774	\$ 657,847	\$ 343,790
4	State Income Taxes	-	-	-
5	Payroll Taxes	44,200	42,436	43,406
6	Property Taxes	242,105	279,529	280,537
7				
8	Totals	<u>\$ 528,079</u>	<u>\$ 979,812</u>	<u>\$ 667,733</u>
9				
10				
11				
12				
13				
14				

Chaparral City Water Company
Test Year Ended December 31, 2006
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

See Attached Auditor's Report

Chaparral City Water Company

**Financial Statements
December 31, 2006**

Chaparral City Water Company

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December 31, 2006

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PricewaterhouseCoopers LLP
350 South Grand Avenue
Los Angeles CA 90071
Telephone (213) 356 6000
Facsimile (813) 637 4444

Report of Independent Auditors

To the Board of Directors and Stockholder of
Chaparral City Water Company

In our opinion, the accompanying balance sheet and statement of capitalization and the related statements of income, common stockholder's equity and cash flows present fairly, in all material respects, the financial position of Chaparral City Water Company (the "Company") at December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

April 26, 2007

Chaparral City Water Company
Balance Sheet
December 31, 2006

Assets	
Utility plant	\$ 51,020,714
Less: accumulated depreciation	(14,947,296)
Construction work in progress	2,241,397
Net utility plant	<u>38,314,815</u>
Other Property and Investments	
Goodwill	11,613,874
Restricted cash	728,061
	<u>12,341,935</u>
Current Assets	
Cash and cash equivalents	391,430
Restricted cash	13,261
Accounts receivable, net of allowance of \$25,483	350,897
Inter-company receivables from GSWC	31,050
Inter-company taxes receivable from AWR	1,022,857
Income tax receivable	3,031
Unbilled revenues	324,967
Materials and supplies	14,521
Prepaid expenses and other current assets	192,485
Deferred income taxes - current	35,751
Regulatory assets - current	71,000
Total current assets	<u>2,451,250</u>
Other Assets	
Debt issuance costs	<u>424,010</u>
Total assets	<u>\$ 53,532,010</u>
Capitalization and Liabilities	
Common stockholder's equity	\$ 26,179,180
Long-term debt, less current maturities	6,585,000
Total capitalization	<u>32,764,180</u>
Commitments and contingencies (Note 9)	
Current Liabilities	
Long-term debt, current	280,000
Accounts payable	308,239
Inter-company loan payable to AWR	1,400,000
Accrued employee expenses	85,679
Accrued property taxes	121,041
Accrued interest	34,790
Other	254,017
Total current liabilities	<u>2,483,766</u>
Other Credits	
Customer deposits	819,845
Advances for construction	6,557,243
Contributions in aid of construction, net	6,188,963
Deferred income taxes	4,070,137
Regulatory liabilities	587,825
Other	60,051
Total other credits	<u>18,284,064</u>
Total capitalization and liabilities	<u>\$ 53,532,010</u>

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company
Statement of Capitalization
December 31, 2006

Common stockholder's equity

Common stock, par value \$10; 2,500,000 shares authorized,
460,314 shares issued and outstanding

\$ 4,603,140

Additional paid-in capital

14,929,468

Retained earnings

6,646,572

26,179,180

Long-term debt

Industrial Development Authority Bonds

Series 1997A serial bonds, due 1998 through 2007 (4% to 4.85%)

240,000

Series 1997A term bonds, due December 1, 2011 (5.20%)

1,000,000

Series 1997A term bonds, due December 1, 2022 (5.40%)

4,610,000

Series 1997B term bonds, due December 1, 2022 (5.30%)

1,015,000

Total long-term debt

6,865,000

Less: current maturities

(280,000)

Long-term debt, less current maturities

6,585,000

Total capitalization

\$32,764,180

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company
Statement of Income
Year Ended December 31, 2006

Operating revenues	
Sales of water	<u>\$7,755,907</u>
Operating expenses	
Purchased water	934,095
Power purchased for pumping	618,039
Other operating expenses	756,952
General and administrative expenses	1,983,106
Maintenance	319,024
Depreciation	1,632,458
Property and other taxes	<u>286,304</u>
	<u>6,529,978</u>
Operating Income	<u>1,225,929</u>
Other income (expense)	
Interest income	64,397
Interest expense	<u>(543,433)</u>
	<u>(479,036)</u>
Income from operations before income tax expense	<u>746,893</u>
Income tax expense	<u>241,774</u>
Net income	<u>\$ 505,119</u>

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company
Statement of Changes in Common Stockholder's Equity
Year Ended December 31, 2006

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance, January 1, 2006	\$ 4,603,140	\$14,925,242	\$ 6,141,453	\$25,669,835
Net income			505,119	505,119
Stock-based awards	<u> -</u>	<u> 4,226</u>	<u> -</u>	<u> 4,226</u>
Balance, December 31, 2006	<u>\$ 4,603,140</u>	<u>\$14,929,468</u>	<u>\$ 6,646,572</u>	<u>\$26,179,180</u>

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company
Statement of Cash Flows
Year Ended December 31, 2006

Cash flows from operating activities	
Net income	\$ 505,119
Adjustments for non-cash items	
Depreciation	1,632,458
Provision for doubtful accounts	11,835
Deferred income taxes	(131,512)
Tax benefit on goodwill	226,869
Amortization of debt issuance costs	26,501
Impairment loss	91,835
Stock-based compensation expense	1,836
Changes in operating assets and liabilities	
Accounts receivable	59,275
Unbilled revenues	13,943
Materials and supplies	2,508
Prepaid expenses and other current assets	(19,837)
Taxes receivable	(146,153)
Regulatory assets/liabilities	21,481
Other assets	122,243
Accounts payable	(42,939)
Inter-company receivables/payables	34,934
Customer deposits	(107,177)
Other liabilities	131,300
Net cash flows provided by operating activities	<u>2,434,519</u>
Cash flows from investing activities	
Capital expenditures	(2,283,627)
Change in restricted cash	(4,481)
Change in debt reserve fund	(4,941)
Net cash flows used in investing activities	<u>(2,293,049)</u>
Cash flows from financing activities	
Tax benefits from exercise of stock-based awards	2,390
Receipt of advances for and contributions in aid of construction	1,099,205
Refunds on advances for construction	(488,128)
Net change in inter-company borrowings	(600,000)
Repayments of long-term debt	(340,309)
Net cash flows used in financing activities	<u>(326,842)</u>
Decrease in cash and cash equivalents	(185,372)
Cash and cash equivalents at beginning of year	<u>576,802</u>
Cash and cash equivalents at end of year	<u>\$ 391,430</u>
Supplemental disclosure of cash flow information	
Interest paid	\$ 475,211
Income tax paid, net of refunds	\$ 290,180

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company

Notes to Financial Statements

December 31, 2006

1. Summary of Significant Accounting Policies

Nature of Operations

Chaparral City Water Company ("CCWC") is a wholly owned subsidiary of American States Water Company ("AWR"). Prior to October 11, 2000, CCWC was a wholly owned subsidiary of MCO Properties Inc. ("MCO"). On October 10, 2000, AWR completed the acquisition of all the common stock of CCWC from MCO for an aggregate value of \$31.2 million, including assumption of approximately \$12 million in debt. The acquisition was accounted for as a purchase and the assets acquired and liabilities assumed have been recorded at their estimated fair values. CCWC is an Arizona public utility company engaged principally in the purchase, production, distribution and sale of water. The Company serves approximately 13,000 customers in Fountain Hills, Arizona and a portion of the City of Scottsdale, Arizona. Regulated by the Arizona Corporation Commission ("ACC"), CCWC is required to provide service and grant credit to customers within its defined service area.

Basis of Presentation

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect (i) the reported amount of assets and liabilities, (ii) disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and (iii) the reported amount of revenues and expenses recognized during each period presented. Actual results could differ from those estimates.

Regulatory Accounting

The Company's accounting policies conform to accounting principles generally accepted in the United States of America, including the accounting principles for rate-regulated enterprises, which reflect the rate-making policies of the ACC, and are maintained in accordance with the Uniform System of Accounts prescribed by the ACC. CCWC is subject to regulation by the ACC to the extent necessary to enable the ACC to determine that CCWC's rates constitute reasonable costs to its customers. Accordingly, CCWC is subject to the provisions of Statement of Financial Accounting Standards ("SFAS") No. 71, *Accounting for the Effects of Certain Types of Regulation*. CCWC does not use regulatory balancing accounts in its rate filings with the ACC, which would represent amounts due to or from its customers based on differences between actual costs and costs assumed in its rate structure, and accordingly, no such accounts are recorded in the accompanying financial statements. Deferred rate case expenses are capitalized as regulatory assets and amortized as specified by the ACC for rate-making purposes.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid money market instruments with original maturities of three months or less. At times, cash and cash equivalent balances may be in excess of federally insured limits. The Company's cash and cash equivalents are held with financial institutions with high credit standings.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

Restricted Cash

In accordance with the terms of its long-term debt agreements, CCWC is required to maintain amounts on deposit in a trust account (the Debt Service Reserve) for payment of principal and interest (Note 4). The funds in this account will be maintained until such time that the terms of the financing agreement are fully satisfied. These amounts are classified as "restricted cash" in the balance sheet.

At December 31, 2006, CCWC held \$13,261 of restricted cash representing interest earned in excess of the required balance on the Debt Service Reserve related to the Industrial Development Authority. In accordance with the requirements of the bond indenture, this balance can only be used to pay the next regularly scheduled debt payment.

Accounts Receivable

Accounts receivable is reported on the balance sheet net of any allowance for doubtful accounts. The allowance is based on CCWC's evaluation of the receivable portfolio under current conditions and review of specific problems and such other factors that, in our judgment, deserve recognition in estimating losses.

Materials and Supplies

Materials and supplies are stated at the lower of cost or market. Cost is computed using average cost.

Utility Plant and Depreciation

CCWC capitalizes as utility plant the cost of additions and replacements of retirement units. Such costs include labor, material, and certain indirect charges.

Depreciation is computed utilizing the straight-line method at rates based on the estimated useful lives of the assets as prescribed by the ACC. Effective October 1, 2005, the ACC approved new depreciation rates for CCWC's utility plant. Depreciation expense, reflected as a percentage of the aggregate depreciable asset balances, was 3.4% in 2006. Expenditures for maintenance and repairs are expensed as incurred. Replaced or retired property costs are charged to the accumulated provision for depreciation.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. CCWC would recognize an impairment loss only if the carrying value amount of a long-lived asset is not recoverable from its undiscounted cash flows. An impairment loss is measured as the excess of the carrying value over the fair market value of the long-lived asset. Management judgment is involved in both deciding if testing for recoverability is necessary and in estimating undiscounted cash flows. For the year ended December 31, 2006, an impairment loss of \$91,835.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

Goodwill

At December 31, 2006, CCWC had \$11,613,874 of goodwill. The goodwill represents the difference between the aggregate purchase price and the fair value of CCWC's net assets acquired by AWR in October 2000. Goodwill is reduced on an ongoing basis to reflect the total tax benefit realized from amortizing, for tax purposes, the excess of tax over book goodwill basis in accordance with SFAS No. 109, *Accounting for Income Taxes*. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill is tested for impairment at least annually on December 31 and more frequently if circumstances indicate that it may be impaired. The goodwill impairment model is a two-step process. First, it requires a comparison of the book value of net assets to the fair value, using the terminal value method, of the related operations that have goodwill assigned to them. If the fair value is determined to be less than book value, a second step is performed to compute the amount of the impairment. In this process, a fair value for goodwill is estimated, based in part on the fair value of the operations used in the first step, and is compared to its carrying value. The amount by which carrying value exceeds fair value represents the amount of goodwill impairment. The current year analysis indicated no impairment.

Revenue

CCWC records operating revenues when the service is provided to customers. Revenues include amounts billed to customers on a cycle basis based on meter reading for services provided and unbilled revenues representing estimated amounts to be billed for usage from the last meter reading date to the end of the accounting period. Actual usage may vary from this estimate.

Advances for Construction & Contributions-in-aid-of-Construction

Advances for construction represent amounts advanced by developers, which are refundable over 10 to 20 years. Refund amounts under the contracts are based on annual revenues from the extensions. After all refunds are made, any remaining balance is transferred to contributions-in-aid of construction. During 2006, approximately \$4.2 million of advances that expired were transferred to contributions-in-aid of construction. Contributions-in-aid of construction are similar to advances, but require no refunding and are amortized over the useful lives of the related property.

Debt Issuance Costs

Original debt issuance costs are capitalized and amortized over the lives of the respective issues.

New Accounting Pronouncements

Effective January 1, 2006, CCWC adopted the provisions of SFAS No. 123(R), *Share-Based Payment*, which requires the recognition of compensation expense related to the fair value of stock-based compensation awards. The adoption of this new standard did not have a material effect on CCWC's financial statements.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

Related Party Transactions

CCWC receives various services from its parent, AWR, and from Golden State Water Company ("GSWC"), a wholly owned subsidiary of AWR. In addition, AWR has an \$85 million syndicated credit facility. AWR borrows under this facility and provides funds to CCWC in support of its operations. Amounts owed to AWR for borrowings under this facility total \$1,400,000 as of December 31, 2006 and are included in CCWC's inter-company payables on the balance sheet. The interest rate charged to CCWC is sufficient to cover AWR's interest cost under the credit facility. GSWC also allocates certain corporate office administrative and general costs to CCWC using agreed upon allocation factors based on a weighted rate calculated from customer numbers, utility plant, expenses and labor costs ("four-factor method") that was established by the California Public Utilities Commission for regulated companies. As of December 31, 2006, intercompany receivables included \$31,050 due from GSWC related to these allocations.

2. Regulatory Matters

In accordance with accounting principles for rate-regulated enterprises, CCWC records regulatory assets, which represent probable future revenue associated with certain costs that will be recovered from customers through the ratemaking process, and regulatory liabilities, which represent probable future reductions in revenue associated with amounts that are to be credited to customers through the ratemaking process. Regulatory assets, less regulatory liabilities, included in the balance sheet are as follows as of December 31, 2006:

Deferred general rate case costs	\$ 195,250
Asset retirement obligations	47,925
Gain on settlement for removal of wells	(760,000)
	<u>\$ (516,825)</u>

Deferred General Rate Case Costs:

Deferred rate case expenses are capitalized as regulatory assets and amortized as specified by the ACC for rate-making purposes.

Asset Retirement Obligations:

Effective January 1, 2003, CCWC adopted SFAS No. 143, "Accounting for Asset Retirement Obligations". Because retirement costs have historically been recovered through rates at the time of retirement, upon implementing SFAS No. 143, the cumulative effect was reflected as a regulatory asset. CCWC will also reflect the gain or loss at settlement as a regulatory asset or liability on the balance sheet.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

Gain on settlement for removal of wells:

Fountain Hills Sanitary District ("FHSD") is a political subdivision of the State of Arizona that provides sanitary sewer service to customers residing within CCWC's water service area. In connection with its sanitary system, FHSD constructed a recharge system whereby it recharges treated effluent through multiple aquifer storage and recovery wells. In order for FHSD to secure an Aquifer Protection Permit for its recharge system, FHSD requested CCWC to permanently cease using one of its wells. As a possible replacement for this well, FHSD constructed a new well adjacent to the community center ("Community Center Well"). However, this well was not able to produce an equivalent amount of water to CCWC's well that was taken out of production. Accordingly, in February 2005, CCWC entered into an agreement with FHSD whereby CCWC agreed to permanently remove from service this well and in return CCWC received a settlement fee of \$1,520,000 from FHSD. Pursuant to the agreement, CCWC will: (i) permanently remove from service and cap this well, and cap another well which had never been used as a potable source of supply; (ii) relinquish any legal claim or interest that CCWC may otherwise possess in the Community Center Well; and (iii) grant an option to FHSD to acquire one of the wells at a future date at fair market value. CCWC has recognized a net gain of \$760,000 related to this settlement agreement and has established a regulatory liability for the remaining \$760,000 pending ACC review of this matter.

3. Utility Plant

The following table shows the Company's utility plant by major class as of December 31, 2006:

Land	\$ 271,857
Source of water supply	4,966,019
Pumping	3,323,855
Water treatment	8,275,225
Transmission and distribution	32,312,760
Other property and equipment	1,870,998
	51,020,714
Accumulated depreciation	(14,947,296)
Construction work in progress	2,241,397
	<u>\$ 38,314,815</u>

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

4. Long-term Debt

Industrial Development Authority Bonds

Substantially all of utility plant is pledged as collateral for CCWC's Industrial Development Authority Bonds. The Bond Agreement, among other things, (i) requires CCWC to maintain certain financial ratios; (ii) restricts CCWC's ability to incur debt and make liens, sell, lease or dispose of assets, merge with another corporation, and (iii) restricts the payment of dividends. CCWC maintains a debt service reserve fund with a balance of \$658,306 at December 31, 2006. Amounts are classified as non-current restricted cash on the balance sheet. The loan and trust agreement contains restrictive covenants, including the maintenance of a debt service coverage ratio of 2.0, as defined in the loan and trust agreement, calculated annually at year end. As of December 31, 2006, CCWC was in compliance with all covenants under the loan and trust agreement.

Repayment Contract

In 1984, CCWC entered into an agreement with the United States Bureau of Reclamation for construction of a delivery and storage system to transport Central Arizona Project ("CAP") water to CCWC's property (the "Delivery Agreement"). In connection therewith, a repayment obligation was incurred by CCWC related to construction costs plus interest. CCWC made the final payment on this obligation in 2006. Interest accrued at a rate of 3.34% per annum. The cost of the constructed assets is recorded as utility plant. Under the terms of the Delivery Agreement, CCWC retains the right to use the delivery and storage system for an unspecified time period conditional upon meeting certain obligations including making scheduled principal and interest repayments for the construction costs and operating and maintaining the system. The Delivery Agreement also provides that the United States Bureau of Reclamation retains ownership of the system. Pursuant to this Agreement, CCWC continues to maintain a debt service reserve fund with a balance of \$69,755 at December 31, 2006. This amount is classified as part of non-current restricted cash on the balance sheet.

Maturities of long-term debt outstanding at December 31, 2006 are as follows:

2007	\$ 280,000
2008	300,000
2009	310,000
2010	330,000
2011	345,000
Thereafter	<u>5,300,000</u>
	6,865,000
Less - current portion	<u>(280,000)</u>
	<u>\$ 6,585,000</u>

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

5. Dividend Limitations

CCWC is subject to contractual restrictions on its ability to pay dividends. CCWC's maximum ability to distribute dividends is limited to maintenance of no more than 55% debt in the capital structure for the quarter immediately preceding the distribution. The ability of CCWC to pay dividends is also restricted by Arizona law. Under restrictions of the Arizona tests, approximately \$6.6 million was available to pay dividends to AWR at December 31, 2006. Contractual restrictions are the most restrictive. There were no dividends distributed from CCWC to AWR in 2006.

6. Taxes on Income

CCWC is included in AWR's consolidated federal income tax return. CCWC files an Arizona state income tax return. CCWC's federal tax provision and liability are computed as if it filed a separate return. Income tax expense includes the current tax liability from operations, the change in deferred income taxes during the year, and the reduction in goodwill during the year (as discussed under "Goodwill"). CCWC applies the provisions of SFAS No. 109, *Accounting for Income Taxes*, which requires the use of an asset and liability approach in accounting for income taxes. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in CCWC's financial statements or tax returns.

The significant components of the deferred tax assets and liabilities as reflected in the balance sheet at December 31, 2006 were:

Deferred tax assets	
Contributions and advances	\$ 1,672,015
Other property related	36,302
Other nonproperty related	65,717
	<u>1,774,034</u>
Deferred tax liabilities	
Goodwill	(3,119,603)
Fixed assets	(2,591,857)
Other property related	(6,605)
Other	(90,355)
	<u>(5,808,420)</u>
Accumulated deferred income taxes - net	\$ <u>(4,034,386)</u>

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

The current and deferred components of income tax expense were as follows:

Current provision	
Federal	\$ 146,267
State	150
Total current tax expense	<u>146,417</u>
Deferred provision	
Federal	(114,619)
State	<u>(16,893)</u>
Total deferred tax expense	<u>(131,512)</u>
Benefit applied to reduce goodwill	<u>226,869</u>
Total income tax expense	<u>\$ 241,774</u>

The federal statutory rate differs from the effective rate primarily due to state taxes, net of federal benefit, and adjustments resulting from the completion in 2006 of the Internal Revenue Service and Joint Committee of Taxation reviews of an amended 2001 federal return filed in 2005.

7. Employee Benefit Plans

GSWC has a defined benefit plan (the "Plan") that provides eligible employees of GSWC and its affiliates, including CCWC, monthly benefits upon retirement based on average salaries and length of service. Pension cost of the Company is based on an allocation from GSWC of the total cost related to the Plan. The allocated pension cost for CCWC was \$152,306 for the year ended December 31, 2006. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. Annual contributions are made to the Plan, which comply with the funding requirements of the Employee Retirement Income Security Act ("ERISA"). All active employees are also offered medical, dental, and vision care benefits through various medical insurance plans.

CCWC is also included in GSWC's 401(k) Investment Incentive Program, under which employees of GSWC and its affiliates may invest a percentage of their pay, up to a maximum investment prescribed by law, in an investment program managed by an outside investment manager. Company contributions to the 401(k) are based upon a percentage of individual employee contributions. The Company contributions to the 401(k) plan for 2006 totaled \$20,209.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

8. Related Party Transactions

CCWC benefits from customer service, regulatory affairs, human resources, insurance, legal, employee benefits, management, accounting and financial services provided and paid for by GSWC and reimbursed by CCWC. GSWC allocates these costs to CCWC using agreed-upon allocation factors based on a weighted rate calculated from customer numbers, utility plant, expenses and labor costs ("four-factor method") that was established by the California Public Utilities Commission for regulated companies. The costs for these services, including allocated cost for the employee benefit plans discussed above, were \$1,292,436 for the year ended December 31, 2006 and have been included in other operating expenses and general and administrative expenses.

9. Commitments and Contingencies

CCWC obtains its water supply from two operating wells and from Colorado River water delivered by the Central Arizona Project ("CAP"). The majority of CCWC's water supply is obtained from its CAP allocation and well water is used for peaking capacity in excess of treatment plant capability, during treatment plant shutdown, and to keep the well system in optimal operating condition.

CCWC has an assured water supply designation, by decision and order of the Arizona Department of Water Resources ("ADWR"), providing in part that, subject to its requirements, CCWC has a sufficient supply of groundwater and CAP water which is physically, continuously and legally available to satisfy current and committed demands of its customers, plus at least two years of predicted demands, for 100 years. On April 7, 2004 the ADWR issued a decision confirming that CCWC has demonstrated the physical, legal and continuous availability of CAP water and groundwater, in an aggregate volume of 9,828 acre-feet per year for a minimum of 100 years.

CCWC has a long-term water supply contract with the Central Arizona Water Conservation District (the "District") through September 2033, and is entitled to take 6,978 acre feet of water per year from the CAP. The maintenance rate for such water delivered is set by the District and is subject to annual increases. The estimated remaining commitment under this contract is \$5.3 million as of December 31, 2006 with an estimated annual payment of \$195,000.

The Arizona Water Settlement Act was signed into law in December 2004. This legislation provides for the additional CAP allocation to CCWC in the amount of 1,931 acre-feet per year. In order to receive this additional allocation, CCWC must enter into a revised contract with the District. CCWC is working on an amendment with the District to purchase the 1,931 acre-feet of water per year of additional CAP water rights for an estimated amount of \$1.1 million as of December 31, 2006. The price is subject to further adjustment and is expected to increase until final written agreement is executed, which is anticipated to be in 2007. Once a revised contract with the District is executed, CCWC expects to apply to the ADWR to modify and increase its designation of assured supply from 9,828 acre-feet per year to 11,759 acre-feet per year.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

Notwithstanding an assured water supply designation, CCWC's water supply may be subject to interruption or reduction, in particular owing to interruption or reduction of CAP water. In the event of interruption or reduction of CAP water, CCWC can rely on its well water supplies for short-term periods. However, the quantity of water CCWC supplies to some or all of its customers may be interrupted or curtailed, pursuant to the provisions of its tariffs. CCWC has the physical capability to deliver water in excess of that which is currently accounted for in CCWC's assured water supply account.

CCWC is involved from time to time in claims and litigation, both as plaintiff and defendant, in the ordinary course of business. Management is of the opinion that the outcome of such litigation will not have a material adverse effect upon CCWC's results of operations, financial position or cash flows.

F SCHEDULES

Chaparral City Water Company
Test Year Ended December 31, 2006
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/2007	At Proposed Rates Year Ended 12/31/2007
1	Revenues			
2	Metered Water Revenues	\$ 7,673,618	\$ 7,364,411	\$ 10,427,811
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	82,289	82,289	82,289
5		<u>\$ 7,755,907</u>	<u>\$ 7,446,700</u>	<u>\$ 10,510,100</u>
6	Operating Expenses			
7	Salaries and Wages	\$ 924,576	\$ 969,244	\$ 969,244
8	Purchased Water	934,095	831,656	831,656
9	Purchased Power	618,039	602,982	602,982
10	Chemicals	127,457	127,457	127,457
11	Repairs and Maintenance	104,609	104,609	104,609
12	Office Supplies and Expense	19,800	19,800	19,800
13	Outside Services	266,544	266,544	266,544
14	Water Testing	43,458	43,458	43,458
15	Rents	-	-	-
16	Transportation Expenses	70,430	70,430	70,430
17	Insurance - General Liability	(1,294)	(1,294)	(1,294)
18	Insurance - health and Life	-	-	-
19	Regulatory Commission Expense - Rate Case	168,158	144,871	144,871
20	Miscellaneous Expense	1,243,108	1,259,948	1,259,948
21	Depreciation Expense	1,632,458	1,608,019	1,608,019
22	Taxes Other Than Income	44,200	47,873	47,873
23	Property Taxes	242,105	295,813	295,813
24	Income Tax	241,774	270,020	1,452,458
25				
26	Total Operating Expenses	<u>\$ 6,679,517</u>	<u>\$ 6,661,429</u>	<u>\$ 7,843,867</u>
27	Operating Income	<u>\$ 1,076,390</u>	<u>\$ 785,271</u>	<u>\$ 2,666,233</u>
28	Other Income (Expense)			
29	Interest Income	64,397	-	-
30	Other income	(91,835)	-	-
31	Interest Expense	(543,433)	(367,737)	(367,737)
32	Other Expense	(400)	-	-
33	Gain/Loss Sale of Fixed Assets	-	-	-
34	Total Other Income (Expense)	<u>\$ (571,271)</u>	<u>\$ (367,737)</u>	<u>\$ (367,737)</u>
35	Net Profit (Loss)	<u>\$ 505,119</u>	<u>\$ 417,534</u>	<u>\$ 2,298,496</u>
36				

Chaparral City Water Company
Test Year Ended December 31, 2006
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2006	At Present Rates Year Ended 12/31/2007	At Proposed Rates Year Ended 12/31/2007
1				
2				
3				
4				
5	Cash Flows from Operating Activities			
6	Net Income	\$ 505,119	\$ 429,534	\$ 2,310,496
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	1,632,458	1,632,458	1,632,458
10	Provision for Doubtful Accounts	11,835		
11	Deferred Income Taxes	(131,512)		
12	Tax Benefit on Goodwill	226,869		
13	Amortization of Debt Issuance Costs	26,501		
14	Other	93,671		
15	Changes in Certain Assets and Liabilities:			
16	Accounts Receivable	59,275		
17	Unbilled Revenues	13,943		
18	Materials and Supplies Inventory	2,508		
19	Prepaid Expenses	(19,837)		
20	Deferred Charges/Regulatory Liabilities	21,481		
21	Accounts Payable	(42,939)		
22	Intercompany payable	34,934		
23	Customer Deposits	(107,177)		
24	Intercompany taxes receivable and taxes payable	(146,153)		
25	Other assets and liabilities	253,543		
26	Net Cash Flow provided by Operating Activities	\$ 2,434,519	\$ 2,061,992	\$ 3,942,954
27	Cash Flow From Investing Activities:			
28	Capital Expenditures	(2,283,627)		
29	Plant Held for Future Use	-		
30	Changes in debt reserve fund	(4,941)		
31	Net Cash Flows from Investing Activities	\$ (2,288,568)	\$ -	\$ -
32	Cash Flow From Financing Activities			
33	Change in Restricted Cash	(4,481)		
34	Change in net amounts due to parent and affiliates	(600,000)	(600,000)	(600,000)
35	Receipt of advances for and contributions in aid of construction	1,099,205		
36	Refunds for advances for construction	(488,128)	(488,128)	(488,128)
37	Repayments of Long-Term Debt	(340,309)	(280,000)	(280,000)
38	Dividends Paid	-		
39	Tax Benefits from exercise of stock based awards	2,390		
40	Paid in Capital	-		
41	Net Cash Flows Provided by Financing Activities	\$ (331,323)	\$ (1,368,128)	\$ (1,368,128)
42	Increase(decrease) in Cash and Cash Equivalents	(185,372)	693,864	2,574,826
43	Cash and Cash Equivalents at Beginning of Year	576,802	391,430	391,430
44	Cash and Cash Equivalents at End of Year	\$ 391,430	\$ 1,085,294	\$ 2,966,256
45				

Chaparral City Water Company
Test Year Ended December 31, 2006
Projected Construction Requirements

Exhibit
Schedule F-3
Page 1
Witness: Bourassa

Line No.					
1					
2	Account				
3	Number	Plant Asset:	<u>2007</u>	<u>2008</u>	<u>2009</u>
4	301	Organization Cost	\$ -	\$ -	\$ -
5	302	Franchise Cost			
6	303	Land and Land Rights			
7	304	Structures and Improvements			
8	306	Lake, River and Other Intakes			
9	307	Wells and Springs			
10	310	Power Generation Equipment			
11	311	Electric Pumping Equipment			
12	320	Water Treatment Equipment	11,000	11,000	11,000
13	330	Distribution Reservoirs & Standpipe	3,733,000	1,575,000	1,293,800
14	331	Transmission and Distribution Mains	50,000	25,000	25,000
15	333	Services	225,000	225,000	225,000
16	334	Meters	55,000	55,000	55,000
17	335	Hydrants			
18	339	Other Plant Structures and Improvements	6,000	6,000	6,000
19	340	Office Furniture and Fixtures	22,000	27,500	27,500
20	341	Transportation Equipment	35,000	26,000	105,000
21	343	Tools and Work Equipment			
22	344	Power Operated Equipment			
23	345	Communications Equipment			
24	346	Miscellaneous Equipment			
25	348	Other Tangible Plant			
26					
27	Total		<u>\$ 4,137,000</u>	<u>\$ 1,950,500</u>	<u>\$ 1,748,300</u>
28					
29					
30					

Chaparral City Water Company
Test Year Ended December 31, 2006
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line
No.

- 1 Property Taxes were computed using the method used by the Arizona Department
- 2 of Revenue
- 3
- 4 Projected construction expenditures are shown on Schedule A-4.
- 5
- 6 Expense adjustments are shown on Schedule C2, and are explained in the testimony.
- 7
- 8 Accumulated depreciation and depreciation expense were computed at Arizona Corporation
- 9 Commission allowed rated in Prior Commission Decision.
- 10
- 11 Income taxes were computed using statutory state and federal income tax rates.
- 12
- 13
- 14
- 15

H SCHEDULES

Chaparral City Water Company
Test Year Ended December 31, 2006
Revenue Summary

With Annualized Revenues to Year End Number of Customers

Exhibit
Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	3/4 Inch	Residential	\$ 3,455,850	\$ 4,715,406	\$ 1,259,557	36.45%	45.08%	42.20%
2	1 Inch	Residential	2,342,394	3,195,743	853,348	36.43%	30.56%	28.60%
3	1.5 Inch	Residential	31,414	42,861	11,447	36.44%	0.41%	0.38%
4	2 Inch	Residential	123,686	168,752	45,067	36.44%	1.61%	1.51%
5	3 Inch	Residential	10,012	13,660	3,648	36.44%	0.13%	0.12%
6								
7		Subtotal	5,963,356	8,136,423	2,173,066	36.44%	77.79%	72.82%
8								
9	3/4 Inch	Commercial	\$ 67,867	\$ 92,600	24,733	36.44%	0.89%	0.83%
10	1 Inch	Commercial	98,616	134,544	35,928	36.43%	1.29%	1.20%
11	1.5 Inch	Commercial	140,840	192,160	51,319	36.44%	1.84%	1.72%
12	2 Inch	Commercial	222,208	303,175	80,967	36.44%	2.90%	2.71%
13	3 Inch	Commercial	14,217	19,397	5,181	36.44%	0.19%	0.17%
14	4 Inch	Commercial	34,290	46,784	12,494	36.44%	0.45%	0.42%
15								
16		Subtotal	\$ 578,038	\$ 788,660	\$ 210,622	36.44%	7.54%	7.06%
17								
18	3/4 Inch	Industrial	\$ 304	\$ 415	\$ 111	36.45%	0.00%	0.00%
19	1 Inch	Industrial	272	372	99	36.43%	0.00%	0.00%
20	1.5 Inch	Industrial	328	447	119		0.00%	0.00%
21								
22		Subtotal	\$ 904	\$ 1,234	330	36.44%	0.01%	0.01%
23								
24	3/4 Inch	Irrigation	\$ 69,200	\$ 132,615	63,415	91.64%	0.90%	1.19%
25	1 Inch	Irrigation	178,745	355,164	176,419	98.70%	2.33%	3.18%
26	1.5 Inch	Irrigation	134,012	264,248	130,236		1.75%	2.37%
27	2 Inch	Irrigation	161,987	318,701	156,713	96.74%	2.11%	2.85%
28	4 Inch	Irrigation	152,769	327,154	174,384	114.15%	1.99%	2.93%
29	6 Inch	Irrigation	322,475	696,965	374,491	116.13%	4.21%	6.24%
30								
31		Subtotal	1,019,188	2,094,846	1,075,658	105.54%	13.30%	18.75%
32								
33	3/4 Inch	Construction	\$ 181	\$ 262	81	44.78%	0.00%	0.00%
34	1 Inch	Construction	1,357	2,361	1,004	74.03%	0.02%	0.02%
35	2 Inch	Construction	646	1,117	471	72.95%	0.01%	0.01%
36	3 Inch	Construction	18,826	36,097				
37	4 Inch	Construction	2,247	3,808	\$ 1,561	69.50%	0.03%	0.03%
38								
39		Subtotal	\$ 23,256	\$ 43,645	\$ 20,389	87.67%	0.30%	0.39%
40								
41	3 Inch	Fire Hydrant Meter (Irrigation)	\$ 65,878	\$ 89,883	24,006	36.44%	0.86%	0.80%
42	4 Inch	Fire Hydrant Meter (Irrigation)	9,178	12,521	3,344	36.43%	0.12%	0.11%
43								
44		Subtotal	\$ 75,055	\$ 102,405	27,349	36.44%	0.98%	0.92%
45								
46	3/4 inch	Fire Sprinkler	\$ 5,164	\$ 5,165	1	0.03%	0.07%	0.05%
47	1 Inch	Fire Sprinkler	244	245	1	0.57%	0.00%	0.00%
48	1.5 Inch	Fire Sprinkler	363	363	1	0.25%	0.00%	0.00%
49								
50		Subtotal	\$ 5,770	\$ 5,774	4	0.06%	0.08%	0.05%
51								
51	Total Revenues Before Annualization		\$ 7,665,568	\$ 11,172,987	\$ 3,507,418	45.76%	100.00%	100.00%
52								

Exhibit
Schedule H-1
Page 2
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills to be Issued	Additional Gallons to be Pumped (In 1,000's)	Schedule Number
Revenue Annualization									
1	3/4 Inch	Residential	\$ 2,317	\$ 3,161	844	36.44%	61	639	C-2, P7.1
2	1 Inch	Residential	65,260	89,034	23,774	36.43%	1,415	13,151	C-2, P7.2
3	1.5 Inch	Residential	860	1,174	313	36.44%	7	215	C-2, P7.3
4	2 Inch	Residential	253	346	92	36.44%	1	72	C-2, P7.4
5	3 Inch	Residential	1,790	2,443	652	36.44%	5	421	C-2, P7.5
6		Subtotal	\$ 70,480	\$ 96,157	25,677	36.43%	1,489	14,497	C-2, P7.6
7	3/4 Inch	Commercial	\$ (50)	\$ (68)	(18)	0.00%	(1)	(14)	C-2, P7.6
8	1 Inch	Commercial	2,647	3,611	964	36.43%	38	704	C-2, P7.7
9	1.5 Inch	Commercial	1,934	2,639	705	36.44%	12	551	C-2, P7.8
10	2 Inch	Commercial	(778)	(1,062)	(284)	0.00%	(3)	(222)	C-2, P7.9
11	3 Inch	Commercial	(206)	(281)	(75)	0.00%	(1)	(24)	C-2, P7.10
12	4 Inch	Commercial	-	-	-	0.00%	-	-	
13		Subtotal	\$ 3,547	\$ 4,839	52,645	1484.43%	45	996	
14	3/4 Inch	Industrial	\$ -	\$ -	-	0.00%	-	-	
15	1 Inch	Industrial	-	-	-	0.00%	-	-	
16	1.5 Inch	Industrial	-	-	-	0.00%	-	-	
17		Subtotal	\$ -	\$ -	-	0.00%	-	-	
18	3/4 Inch	Irrigation	\$ 792	\$ 1,505	713	90.11%	21	324	C-2, P7.11
19	1 Inch	Irrigation	6,585	13,025	6,440	97.81%	78	3,086	C-2, P7.12
20	1.5 Inch	Irrigation	1,901	3,732	1,831	96.33%	12	869	C-2, P7.13
21	2 Inch	Irrigation	-	-	-	0.00%	-	-	
22	4 Inch	Irrigation	(111,693)	(246,237)	(134,544)	0.00%	(2)	(69,780)	C-2, P7.14a&
23	6 Inch	Irrigation	(280,818)	(618,308)	(337,490)	0.00%	-	(179,785)	C-2, P7.15a&
24		Subtotal	\$ (383,233)	\$ (846,282)	(463,049)	120.83%	109	(245,285)	
25	3/4 Inch	Construction	\$ -	\$ -	-	0.00%	-	-	
26	1 Inch	Construction	-	-	-	0.00%	-	-	
27	2 Inch	Construction	-	-	-	0.00%	-	-	
28	3 Inch	Construction	-	-	-	0.00%	-	-	
29	4 Inch	Construction	-	-	-	0.00%	-	-	
30		Subtotal	\$ -	\$ -	-	0.00%	-	-	
31	3 Inch	Fire Hydrant Meter (Irrigation)	\$ -	\$ -	-	0.00%	-	-	
32	4 Inch	Fire Hydrant Meter (Irrigation)	-	-	-	0.00%	-	-	
33		Subtotal	\$ -	\$ -	-	0.00%	-	-	
34	34 inch	Fire Sprinkler	\$ -	\$ -	-	0.00%	-	-	
35	1 Inch	Fire Sprinkler	-	-	-	0.00%	-	-	
36	1.5 Inch	Fire Sprinkler	-	-	-	0.00%	-	-	
37		Subtotal	\$ -	\$ -	-	0.00%	-	-	
38	Total Revenue Annualization		\$ (309,207)	\$ (745,287)	\$ (384,727)	0.00%	1,643	(229,792)	

Chaparral City Water Company
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Schedule H-1
Page 3
Witness: Bourassa

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1							
2							
3	Subtotal Metered Revenues	\$ 7,665,568	\$ 11,172,987	\$ 3,507,418	45.76%	100.00%	100.00%
4	Subtotal Revenue Annualization	(309,207)	(745,287)	(436,080.03)	141.03%	-4.03%	-6.67%
5	Total Metered Revenues	\$ 7,356,362	\$ 10,427,700	\$ 3,071,338	41.75%		
6							
7	Misc. Revenues	\$ 82,289	\$ 82,289	-	0.00%	1.07%	0.74%
8	Reconciling Amount to GL	8,050	-	(8,050)			
9	Total Water Revenues	\$ 7,438,651	\$ 10,509,989	\$ 3,063,289	41.18%	0.00%	0.00%
10							
11							
12	<u>Revenue Reconciliation</u>						
13							
14	Revenue per bill count before revenue annualization		\$ 7,665,568				
15	Revenue per GL (metered water revenues)		7,673,618				
16	Difference		\$ (8,050)				
17	Difference %		-0.10%				
18	Tolerance %		0.50%				
19	Tolerance Amount + or -		\$ 38,368				
20							
21	Acceptable?		YES				
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
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Chaparral City Water Company
Test Year Ended December 31, 2006
Customer Summary

Exhibit
Schedule H-2
Page 1
Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at		Average Consumption	Revenues		Proposed Increase	
		12/31/2006			Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	3/4 Inch Residential	8,368		8,450	\$ 32.38	\$ 44.17	11.80	36.45%
2	1 Inch Residential	4,000		10,095	48.14	65.68	17.54	36.43%
3	1.5 Inch Residential	21		29,821	120.55	164.48	43.93	36.44%
4	2 Inch Residential	39		72,924	256.77	350.32	93.55	36.44%
5	3 Inch Residential	3		70,226	322.97	440.65	117.68	36.44%
6	Subtotal	12,431						
7								
8	3/4 Inch Commercial	115		12,528	\$ 46.97	\$ 64.09	17.12	36.44%
9	1 Inch Commercial	114		17,907	67.83	92.53	24.71	36.43%
10	1.5 Inch Commercial	66		47,736	165.69	226.07	60.37	36.44%
11	2 Inch Commercial	71		68,389	245.34	334.73	89.39	36.44%
12	3 Inch Commercial	5		34,550	233.06	317.99	84.93	36.44%
13	4 Inch Commercial	4		186,146	696.09	949.71	253.62	36.44%
14	Subtotal	375						
15								
16	3/4 Inch Industrial	1		5,375	\$ 24.63	\$ 33.60	8.98	36.45%
17	1 Inch Industrial	1		-	\$ 22.70	\$ 30.97	8.27	36.43%
18	1.5 Inch Industrial	0		8,000	\$ 65.56	\$ 89.45	23.89	36.45%
19	Subtotal	2						
20								
21	3/4 Inch Irrigation	145		16,732	\$ 39.70	\$ 76.08	36.38	91.64%
22	1 Inch Irrigation	170		41,781	\$ 87.88	\$ 174.61	86.73	98.70%
23	1.5 Inch Irrigation	68		76,173	\$ 164.23	\$ 323.83	159.60	97.18%
24	2 Inch Irrigation	52		119,346	\$ 259.18	\$ 509.92	250.74	96.74%
25	4 Inch Irrigation	4		1,813,070	\$ 3,055.39	\$ 6,543.08	3,487.69	114.15%
26	6 Inch Irrigation	3		5,451,042	\$ 8,957.63	\$ 19,360.15	10,402.53	116.13%
27	Subtotal	442						
28								
29	3/4 Inch Construction	1		959	\$ 15.10	\$ 21.86	6.76	44.78%
30	1 Inch Construction	3		11,803	\$ 41.11	\$ 71.55	30.44	74.03%
31	2 Inch Construction	0		36,000	\$ 129.16	\$ 223.38	94.22	72.95%
32	3 Inch Construction	4		180,682	\$ 427.86	\$ 820.39	392.53	91.74%
33	4 Inch Construction	1		94,500	\$ 374.42	\$ 634.63	260.21	69.50%
34	Subtotal	8						
35								
36	3 Inch Fire Hydrant Meter (Irrigation)	26		26,121	\$ 211.82	\$ 289.01	77.19	36.44%
37	4 Inch Fire Hydrant Meter (Irrigation)	1		516,917	\$ 1,529.63	\$ 2,086.90	557.27	36.43%
38	Subtotal	26						
39								
40	3/4 inch Fire Sprinkler	43		3	\$ 10.01	\$ 10.01	0.00	0.03%
41	1 Inch Fire Sprinkler	2		63	\$ 10.16	\$ 10.22	0.06	0.57%
42	1.5 Inch Fire Sprinkler	3		28	\$ 10.07	\$ 10.10	0.03	0.25%
43	Subtotal	48						
44								
45								
46	Total	13,333						

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Chaparral City Water Company
Test Year Ended December 31, 2006
Present and Proposed Rates

Exhibit
Schedule H-3
Page 1
Witness: Bourassa

Line No.	Monthly Usage Charge for: Meter Size (All Zones and Classes):	Present Rates	Proposed Rates	Change	Percent Change
1	3/4 Inch	\$ 13.60	\$ 18.56	\$ 4.96	36.47%
2	1 Inch	22.70	30.97	8.27	36.43%
3	1 1/2 Inch	45.40	61.95	16.55	36.45%
4	2 Inch	73.00	99.61	26.61	36.45%
5	3 Inch	146.00	199.21	53.21	36.45%
6	4 Inch	227.00	309.74	82.74	36.45%
7	6 Inch	454.00	619.47	165.47	36.45%
8	8 Inch	730.00	996.07	266.07	36.45%
9	10 Inch	1,043.00	1,423.15	380.15	36.45%
10	12 Inch	1,980.00	2,701.67	721.67	36.45%
11					
12					
13	Fire Hydrants Basic Service	\$ -	-	-	0.00%
14					
15					
16	Fire Hydrants Used for Irrigation	\$ 146.00	199.21	53.21	36.45%
17					
18	Monthly Service Charge for Fire Sprinkler				
19	4 Inch or smaller	\$ 10.00	10.00	-	0.00%
20	6 Inch	10.00	10.00	-	0.00%
21	8 Inch	10.00	10.00	-	0.00%
22	10 Inch	10.00	10.00	-	0.00%
23	Larger than 10 Inch	10.00	10.00	-	0.00%
24					
25					
26	Gallons In Minimum (All Zones and Classes)	-	-	-	
27					
28					
29	Commodity Rates				
30	(Residential, Commercial, Industrial)				
31					
32	3/4 Inch Meter Residential	\$ 1.68	2.292	\$ 0.61	36.43%
33		\$ 2.52	3.438	\$ 0.92	36.43%
34		\$ 3.03	4.134	\$ 1.10	36.44%

(Per 1,000 gallons)

Block	Present Rate	Proposed Rate	Change	Percent Change
0 gallons to 3,000 gallons	\$ 1.68	2.292	\$ 0.61	36.43%
3,001 gallons to 9,000 gallons	\$ 2.52	3.438	\$ 0.92	36.43%
over 9,000 gallons	\$ 3.03	4.134	\$ 1.10	36.44%

Diablo Village Water Company
Test Year Ended December 31, 2006
Present and Proposed Rates

Exhibit
Schedule H-3
Page 2
Witness: Bourassa

Line No.	Commodity Rates (Residential, Commercial, Industrial)	Block	(Per 1,000 gallons)		Percent Change
			Present Rate	Proposed Rate	
1	3/4 Inch Meter Commercial and Industrial	0 gallons to 9,000 gallons	\$ 2.52	\$ 3.438	36.43%
2		over 9,000 gallons	\$ 3.03	\$ 4.134	36.44%
3	1 Inch Meter	0 gallons to 24,000 gallons	\$ 2.52	\$ 3.438	36.43%
4		over 24,000 gallons	\$ 3.03	\$ 4.134	36.44%
5	1.5 Inch Meter	0 gallons to 60,000 gallons	\$ 2.52	\$ 3.438	36.43%
6		over 60,000 gallons	\$ 3.03	\$ 4.134	36.44%
7	2 Inch Meter	0 gallons to 100,000 gallons	\$ 2.52	\$ 3.438	36.43%
8		over 100,000 gallons	\$ 3.03	\$ 4.134	36.44%
9	3 Inch Meter	0 gallons to 225,000 gallons	\$ 2.52	\$ 3.438	36.43%
10		over 225,000 gallons	\$ 3.03	\$ 4.134	36.44%
11	4 Inch Meter	0 gallons to 350,000 gallons	\$ 2.52	\$ 3.438	36.43%
12		over 350,000 gallons	\$ 3.03	\$ 4.134	36.44%
13	6 Inch Meter	0 gallons to 725,000 gallons	\$ 2.52	\$ 3.438	36.43%
14		over 725,000 gallons	\$ 3.03	\$ 4.134	36.44%
15	8 Inch Meter	0 gallons to 1,125,000 gallons	\$ 2.52	\$ 3.438	36.43%
16		over 1,125,000 gallons	\$ 3.03	\$ 4.134	36.44%
17	10 Inch Meter	0 gallons to 1,500,000 gallons	\$ 2.52	\$ 3.438	36.43%
18		over 1,500,000 gallons	\$ 3.03	\$ 4.134	36.44%
19	12 Inch Meter	0 gallons to 2,250,000 gallons	\$ 2.52	\$ 3.438	36.43%
20		over 2,250,000 gallons	\$ 3.03	\$ 4.134	36.44%
21	Irrigation/Bulk	All gallons	\$ 1.56	\$ 3.438	120.38%
22	Fire Hydrant Irrig./Construction	All gallons	\$ 1.56	\$ 3.438	120.38%
23	Standpipe (Fire Hydrants)	All gallons	\$ 2.52	\$ 3.438	36.43%
24	Fire Sprinklers	All gallons	\$ 2.52	\$ 3.438	36.43%

Chaparral City Water Company
Changes in Representative Rate Schedules
Test Year Ended December 31, 2006

Exhibit
Schedule H-3
Page 3
Witness: Bourassa

Line		Present	Proposed
No.	<u>Other Service Charges</u>	<u>Rates</u>	<u>Rates</u>
1	Establishment	\$ 25.00	\$ 25.00
2	Establishment (After Hours)	\$ 35.00	\$ 35.00
3	Reconnection (Deliquent)	\$ 35.00	\$ 35.00
4	Reconnection (Deliquent and After Hours)	\$ 50.00	\$ 50.00
5	Meter Test	\$ 35.00	\$ 35.00
6	Deposit Requirement (Residential)	(a)	(a)
7	Deposit Requirement (None Residential Meter)	(a)	(a)
8	Hydrant Meter Deposit	\$ 50.00	\$ 50.00
9	Deposit Interest	(b)	(b)
10	Re-Establishment (With-in 12 Months)	(c)	(c)
11	Re-Establishment (After Hours)	(c)	(c)
12	NSF Check	\$ 25.00	\$ 25.00
13	Deferred Payment, Per Month	1.50%	1.50%
14	Meter Re-Read	\$ 25.00	\$ 25.00
15	Charge of Moving Customer Meter -		
16	Customer Requested per Rule R14-2-405B	Cost	Cost
17	After hours service charge, per Rule R14-2-403D	Refer to	Refer to
18		Above	Above
19		Charges	Charges
20	Late Charge per month	1.5%	1.5%
21	Off-site Facilities Hook-up Fee (See H-3, page 5)	(d)	(d)
22	CAP Hook-up Fee (See H-3, page 5)	(e)	(e)
23			
24	(a) <u>Residential</u> - two times the average bill. <u>Non-residential</u> - two and one-half times the average bill.		
25	(b) Interest per Rule R14-2-403(B).		
26	(c) Minimum charge times number of full months off the system. per Rule R14-2-403(D).		
27	(d) New water installations. May be assessed only once per parcel, service connection, or lot within a sub-		
28	division. Purpose is to equitably apportion the costs of constructing additional off-site facilities to provide		
29	water production, delivery, storage, and pressure among all new service connections.		
30	(e) New water installations. May be assessed only once per parcel, service connection, or lot within a sub-		
31	division. Purpose is to recover the costs of additional 1,931 a.f. of CAP allocation. Fee will be recomputed		
32	annually to take into account carrying costs of unrecovered balance and annual payment.		
33			
34	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
35	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
36	TAX. PER COMMISSION RULE 14-2-409D(5).		
37	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
38	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.		
39			
40	All advances and/or contributions are to include labor, materials and parts, overheads and all applicable taxes.		
41	including all gross-up taxes, if applicable.		

Chaparral City Water Company
Test Year Ended December 31, 2006
Meter and Service Line Charges

Exhibit
Schedule H-3
Page 4
Witness: Bourassa

Line
No.

1

2 **Meter and Service Line Charges**

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	Present Service Line Charge	Present Meter Install- ation Charge	Total Present Charge	(a) Proposed Service Line Charge	Proposed Meter Install- ation Charge	(a) Total Proposed Charge
5/8 x 3/4 Inch	\$ 385.00	\$ 135.00	\$ 520.00	\$ 385.00	\$ 135.00	\$ 520.00
3/4 Inch	385.00	215.00	600.00	385.00	215.00	600.00
1 Inch	435.00	255.00	690.00	435.00	255.00	690.00
1 1/2 Inch	470.00	465.00	935.00	470.00	465.00	935.00
2 Inch / Turbine	630.00	965.00	1,595.00	630.00	965.00	1,595.00
2 Inch / Compound	630.00	1,690.00	2,320.00	630.00	1,690.00	2,320.00
3 Inch / Turbine	805.00	1,470.00	2,275.00	805.00	1,470.00	2,275.00
3 Inch / Compound	845.00	2,265.00	3,110.00	845.00	2,265.00	3,110.00
4 Inch / Turbine	1,170.00	2,350.00	3,520.00	1,170.00	2,350.00	3,520.00
4 Inch / Compound	1,230.00	3,245.00	4,475.00	1,230.00	3,245.00	4,475.00
6 Inch / Turbine	1,730.00	4,545.00	6,275.00	1,730.00	4,545.00	6,275.00
6 Inch / Compound	1,770.00	6,280.00	8,050.00	1,770.00	6,280.00	8,050.00
8 Inch & Larger	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

N/T = No Tariff

(a) As meters and service lines are now taxable income for income purposes, The Company shall collect income taxes on the meter and service line charges. Any tax collected will be refunded each year as the meter deposit is refunded.

Chaparral City Water Company
Test Year Ended December 31, 2006
Hook-Up Fees

Exhibit
Schedule H-3
Page 5
Witness: Bourassa

Line
No.

1

2 **Off-site Facilities Hook-up Fee**

3

4

5

6 5/8 x 3/4 Inch

	Present <u>Charge</u>	Proposed <u>Charge</u>
\$	1,000	\$ 1,000

7 3/4 Inch

1,500 1,500

8 1 Inch

2,500 2,500

9 1 1/2 Inch

5,000 5,000

10 2 Inch

8,000 8,000

11 3 Inch

16,000 16,000

12 4 Inch

25,000 25,000

13 6 Inch or larger

50,000 50,000

14

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Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 3/4 Inch Residential

Exhibit
 Schedule H-4
 Page 1
 Witness: Bourassa

<u>Usage</u>	<u>Present</u>	<u>Proposed</u>	<u>Dollar</u>	<u>Percent</u>
	<u>Bill</u>	<u>Bill</u>	<u>Increase</u>	<u>Increase</u>
-	\$ 13.60	\$ 18.56	\$ 4.96	36.47%
1,000	15.28	20.85	\$ 5.57	36.47%
2,000	16.96	23.14	\$ 6.18	36.46%
3,000	18.64	25.44	\$ 6.80	36.46%
4,000	21.16	28.87	\$ 7.71	36.46%
5,000	23.68	32.31	\$ 8.63	36.45%
6,000	26.20	35.75	\$ 9.55	36.45%
7,000	28.72	39.19	\$ 10.47	36.45%
8,000	31.24	42.63	\$ 11.39	36.45%
9,000	33.76	46.06	\$ 12.30	36.45%
10,000	36.79	50.20	\$ 13.41	36.44%
12,000	42.85	58.47	\$ 15.62	36.44%
14,000	48.91	66.73	\$ 17.82	36.44%
16,000	54.97	75.00	\$ 20.03	36.44%
18,000	61.03	83.27	\$ 22.24	36.44%
20,000	67.09	91.54	\$ 24.45	36.44%
25,000	82.24	112.21	\$ 29.97	36.44%
30,000	97.39	132.88	\$ 35.49	36.44%
35,000	112.54	153.55	\$ 41.01	36.44%
40,000	127.69	174.22	\$ 46.53	36.44%
45,000	142.84	194.89	\$ 52.05	36.44%
50,000	157.99	215.56	\$ 57.57	36.44%
60,000	188.29	256.90	\$ 68.61	36.44%
70,000	218.59	298.24	\$ 79.65	36.44%
80,000	248.89	339.58	\$ 90.69	36.44%
90,000	279.19	380.92	\$ 101.73	36.44%
100,000	309.49	422.26	\$ 112.77	36.44%

Average Usage				
8,450	\$ 32.38	\$ 44.17	\$ 11.80	36.45%
Median Usage				
5,500	\$ 24.94	\$ 34.03	\$ 9.09	36.45%

Present Rates:
 Monthly Minimum: \$ 13.60
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 3,000 \$ 1.68
 Up to 9,000 \$ 2.52
 Over 9,000 \$ 3.03

Proposed Rates:
 Monthly Minimum: \$ 18.56
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 3,000 \$ 2.29
 Up to 9,000 \$ 3.44
 Over 9,000 \$ 4.13

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 1 Inch Residential

Exhibit
 Schedule H-4
 Page 2
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 22.70	\$ 30.97	\$ 8.27	36.43%
1,000	25.22	34.41	\$ 9.19	36.43%
2,000	27.74	37.85	\$ 10.11	36.43%
3,000	30.26	41.28	\$ 11.02	36.43%
4,000	32.78	44.72	\$ 11.94	36.43%
5,000	35.30	48.16	\$ 12.86	36.43%
6,000	37.82	51.60	\$ 13.78	36.43%
7,000	40.34	55.04	\$ 14.70	36.43%
8,000	42.86	58.47	\$ 15.61	36.43%
9,000	45.38	61.91	\$ 16.53	36.43%
10,000	47.90	65.35	\$ 17.45	36.43%
12,000	52.94	72.23	\$ 19.29	36.43%
14,000	57.98	79.10	\$ 21.12	36.43%
16,000	63.02	85.98	\$ 22.96	36.43%
18,000	68.06	92.85	\$ 24.79	36.43%
20,000	73.10	99.73	\$ 26.63	36.43%
25,000	86.21	117.62	\$ 31.41	36.43%
30,000	101.36	138.29	\$ 36.93	36.43%
35,000	116.51	158.96	\$ 42.45	36.43%
40,000	131.66	179.63	\$ 47.97	36.43%
45,000	146.81	200.30	\$ 53.49	36.43%
50,000	161.96	220.97	\$ 59.01	36.43%
60,000	192.26	262.31	\$ 70.05	36.43%
70,000	222.56	303.65	\$ 81.09	36.43%
80,000	252.86	344.99	\$ 92.13	36.43%
90,000	283.16	386.33	\$ 103.17	36.43%
100,000	313.46	427.67	\$ 114.21	36.43%

Present Rates:

Monthly Minimum:	\$	22.70
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 24,000	\$	2.52
Over 24,000	\$	3.03

Proposed Rates:

Monthly Minimum:	\$	30.97
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 24,000	\$	3.44
Over 24,000	\$	4.13

Average Usage				
10,095	\$	48.14	\$ 65.68	\$ 17.54 36.43%
Median Usage				
7,500	\$	41.60	\$ 56.76	\$ 15.16 36.43%

Chaparral City Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Residential

Exhibit
Schedule H-4
Page 3
Witness: Bourassa

<u>Usage</u>	<u>Present</u>	<u>Proposed</u>	<u>Dollar</u>	<u>Percent</u>
	<u>Bill</u>	<u>Bill</u>	<u>Increase</u>	<u>Increase</u>
-	\$ 45.40	\$ 61.95	\$ 16.55	36.45%
1,000	47.92	65.39	\$ 17.47	36.45%
2,000	50.44	68.83	\$ 18.39	36.45%
3,000	52.96	72.26	\$ 19.30	36.45%
4,000	55.48	75.70	\$ 20.22	36.45%
5,000	58.00	79.14	\$ 21.14	36.45%
6,000	60.52	82.58	\$ 22.06	36.45%
7,000	63.04	86.02	\$ 22.98	36.45%
8,000	65.56	89.45	\$ 23.89	36.45%
9,000	68.08	92.89	\$ 24.81	36.45%
10,000	70.60	96.33	\$ 25.73	36.44%
12,000	75.64	103.21	\$ 27.57	36.44%
14,000	80.68	110.08	\$ 29.40	36.44%
16,000	85.72	116.96	\$ 31.24	36.44%
18,000	90.76	123.83	\$ 33.07	36.44%
20,000	95.80	130.71	\$ 34.91	36.44%
25,000	108.40	147.90	\$ 39.50	36.44%
30,000	121.00	165.09	\$ 44.09	36.44%
35,000	133.60	182.28	\$ 48.68	36.44%
40,000	146.20	199.47	\$ 53.27	36.44%
45,000	158.80	216.66	\$ 57.86	36.44%
50,000	171.40	233.85	\$ 62.45	36.44%
60,000	196.60	268.23	\$ 71.63	36.43%
70,000	226.90	309.57	\$ 82.67	36.43%
80,000	257.20	350.91	\$ 93.71	36.43%
90,000	287.50	392.25	\$ 104.75	36.43%
100,000	317.80	433.59	\$ 115.79	36.43%
 Average Usage				
29,821	\$ 120.55	\$ 164.48	\$ 43.93	36.44%
 Median Usage				
21,500	\$ 99.58	\$ 135.87	\$ 36.29	36.44%

Present Rates:

Monthly Minimum:	\$	45.40
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 60,000	\$	2.52
Over 60,000	\$	3.03

Proposed Rates:

Monthly Minimum:	\$	61.95
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 60,000	\$	3.44
Over 60,000	\$	4.13

Chaparral City Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Residential

Exhibit
Schedule H-4
Page 4
Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 73.00	\$ 99.61	\$ 26.61	36.45%
1,000	75.52	103.05	\$ 27.53	36.45%
2,000	78.04	106.49	\$ 28.45	36.45%
3,000	80.56	109.92	\$ 29.36	36.45%
4,000	83.08	113.36	\$ 30.28	36.45%
5,000	85.60	116.80	\$ 31.20	36.45%
6,000	88.12	120.24	\$ 32.12	36.45%
7,000	90.64	123.68	\$ 33.04	36.45%
8,000	93.16	127.11	\$ 33.95	36.45%
9,000	95.68	130.55	\$ 34.87	36.45%
10,000	98.20	133.99	\$ 35.79	36.45%
12,000	103.24	140.87	\$ 37.63	36.45%
14,000	108.28	147.74	\$ 39.46	36.44%
16,000	113.32	154.62	\$ 41.30	36.44%
18,000	118.36	161.49	\$ 43.13	36.44%
20,000	123.40	168.37	\$ 44.97	36.44%
25,000	136.00	185.56	\$ 49.56	36.44%
30,000	148.60	202.75	\$ 54.15	36.44%
35,000	161.20	219.94	\$ 58.74	36.44%
40,000	173.80	237.13	\$ 63.33	36.44%
45,000	186.40	254.32	\$ 67.92	36.44%
50,000	199.00	271.51	\$ 72.51	36.44%
60,000	224.20	305.89	\$ 81.69	36.44%
70,000	249.40	340.27	\$ 90.87	36.44%
80,000	274.60	374.65	\$ 100.05	36.43%
90,000	299.80	409.03	\$ 109.23	36.43%
100,000	325.00	443.41	\$ 118.41	36.43%
Average Usage				
72,924	\$ 256.77	\$ 350.32	\$ 93.55	36.44%
Median Usage				
51,500	\$ 202.78	\$ 276.67	\$ 73.89	36.44%

Present Rates:

Monthly Minimum:	\$	73.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 100,000	\$	2.52
Over 100,000	\$	3.03

Proposed Rates:

Monthly Minimum:	\$	99.61
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 100,000	\$	3.44
Over 100,000	\$	4.13

Chaparral City Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Residential

Exhibit
Schedule H-4
Page 5
Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 146.00	\$ 199.21	\$ 53.21	36.45%
1,000	148.52	202.65	\$ 54.13	36.44%
2,000	151.04	206.09	\$ 55.05	36.44%
3,000	153.56	209.52	\$ 55.96	36.44%
4,000	156.08	212.96	\$ 56.88	36.44%
5,000	158.60	216.40	\$ 57.80	36.44%
6,000	161.12	219.84	\$ 58.72	36.44%
7,000	163.64	223.28	\$ 59.64	36.44%
8,000	166.16	226.71	\$ 60.55	36.44%
9,000	168.68	230.15	\$ 61.47	36.44%
10,000	171.20	233.59	\$ 62.39	36.44%
12,000	176.24	240.47	\$ 64.23	36.44%
14,000	181.28	247.34	\$ 66.06	36.44%
16,000	186.32	254.22	\$ 67.90	36.44%
18,000	191.36	261.09	\$ 69.73	36.44%
20,000	196.40	267.97	\$ 71.57	36.44%
25,000	209.00	285.16	\$ 76.16	36.44%
30,000	221.60	302.35	\$ 80.75	36.44%
35,000	234.20	319.54	\$ 85.34	36.44%
40,000	246.80	336.73	\$ 89.93	36.44%
45,000	259.40	353.92	\$ 94.52	36.44%
50,000	272.00	371.11	\$ 99.11	36.44%
60,000	297.20	405.49	\$ 108.29	36.44%
70,000	322.40	439.87	\$ 117.47	36.44%
80,000	347.60	474.25	\$ 126.65	36.44%
90,000	372.80	508.63	\$ 135.83	36.44%
100,000	398.00	543.01	\$ 145.01	36.43%
 Average Usage				
70,226	\$ 322.97	\$ 440.65	\$ 117.68	36.44%
 Median Usage				
83,000	\$ 355.16	\$ 484.56	\$ 129.40	36.44%

Present Rates:

Monthly Minimum: \$ 146.00
Gallons in Minimum -
Charge Per 1,000 Gallons
Up to 225,000 \$ 2.52
Over 225,000 \$ 3.03

Proposed Rates:

Monthly Minimum: \$ 199.21
Gallons in Minimum -
Charge Per 1,000 Gallons
Up to 225,000 \$ 3.44
Over 225,000 \$ 4.13

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 3/4 Commercial

Exhibit
 Schedule H-4
 Page 6
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 13.60	\$ 18.56	\$ 4.96	36.47%
1,000	16.12	22.00	\$ 5.88	36.46%
2,000	18.64	25.44	\$ 6.80	36.46%
3,000	21.16	28.87	\$ 7.71	36.46%
4,000	23.68	32.31	\$ 8.63	36.45%
5,000	26.20	35.75	\$ 9.55	36.45%
6,000	28.72	39.19	\$ 10.47	36.45%
7,000	31.24	42.63	\$ 11.39	36.45%
8,000	33.76	46.06	\$ 12.30	36.45%
9,000	36.28	49.50	\$ 13.22	36.44%
10,000	39.31	53.64	\$ 14.33	36.44%
12,000	45.37	61.90	\$ 16.53	36.44%
14,000	51.43	70.17	\$ 18.74	36.44%
16,000	57.49	78.44	\$ 20.95	36.44%
18,000	63.55	86.71	\$ 23.16	36.44%
20,000	69.61	94.98	\$ 25.37	36.44%
25,000	84.76	115.65	\$ 30.89	36.44%
30,000	99.91	136.32	\$ 36.41	36.44%
35,000	115.06	156.99	\$ 41.93	36.44%
40,000	130.21	177.66	\$ 47.45	36.44%
45,000	145.36	198.33	\$ 52.97	36.44%
50,000	160.51	219.00	\$ 58.49	36.44%
60,000	190.81	260.34	\$ 69.53	36.44%
70,000	221.11	301.68	\$ 80.57	36.44%
80,000	251.41	343.02	\$ 91.61	36.44%
90,000	281.71	384.36	\$ 102.65	36.44%
100,000	312.01	425.70	\$ 113.69	36.44%
Average Usage 12,528	\$ 46.97	\$ 64.09	\$ 17.12	36.44%
Median Usage 4,501	\$ 24.94	\$ 34.03	\$ 9.09	36.45%

Present Rates:

Monthly Minimum: \$ 13.60
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 9,000 \$ 2.52
 Over 9,000 \$ 3.03

Proposed Rates:

Monthly Minimum: \$ 18.56
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 9,000 \$ 3.44
 Over 9,000 \$ 4.13

Chaparral City Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Commercial

Exhibit
Schedule H-4
Page 7
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 22.70	\$ 30.97	\$ 8.27	36.43%
1,000	25.22	34.41	\$ 9.19	36.43%
2,000	27.74	37.85	\$ 10.11	36.43%
3,000	30.26	41.28	\$ 11.02	36.43%
4,000	32.78	44.72	\$ 11.94	36.43%
5,000	35.30	48.16	\$ 12.86	36.43%
6,000	37.82	51.60	\$ 13.78	36.43%
7,000	40.34	55.04	\$ 14.70	36.43%
8,000	42.86	58.47	\$ 15.61	36.43%
9,000	45.38	61.91	\$ 16.53	36.43%
10,000	47.90	65.35	\$ 17.45	36.43%
12,000	52.94	72.23	\$ 19.29	36.43%
14,000	57.98	79.10	\$ 21.12	36.43%
16,000	63.02	85.98	\$ 22.96	36.43%
18,000	68.06	92.85	\$ 24.79	36.43%
20,000	73.10	99.73	\$ 26.63	36.43%
25,000	86.21	117.62	\$ 31.41	36.43%
30,000	101.36	138.29	\$ 36.93	36.43%
35,000	116.51	158.96	\$ 42.45	36.43%
40,000	131.66	179.63	\$ 47.97	36.43%
45,000	146.81	200.30	\$ 53.49	36.43%
50,000	161.96	220.97	\$ 59.01	36.43%
60,000	192.26	262.31	\$ 70.05	36.43%
70,000	222.56	303.65	\$ 81.09	36.43%
80,000	252.86	344.99	\$ 92.13	36.43%
90,000	283.16	386.33	\$ 103.17	36.43%
100,000	313.46	427.67	\$ 114.21	36.43%

Present Rates:

Monthly Minimum:	\$	22.70
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 24,000	\$	2.52
Over 24,000	\$	3.03

Proposed Rates:

Monthly Minimum:	\$	30.97
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 24,000	\$	3.44
Over 24,000	\$	4.13

Average Usage				
17,907	\$	67.83	\$ 92.53	\$ 24.71 36.43%
Median Usage				
5,500	\$	36.56	\$ 49.88	\$ 13.32 36.43%

Chaparral City Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Commercial

Exhibit
Schedule H-4
Page 8
Witness: Bourassa

<u>Usage</u>	<u>Present</u>	<u>Proposed</u>	<u>Dollar</u>	<u>Percent</u>
	<u>Bill</u>	<u>Bill</u>	<u>Increase</u>	<u>Increase</u>
-	\$ 45.40	\$ 61.95	\$ 16.55	36.45%
1,000	47.92	65.39	\$ 17.47	36.45%
2,000	50.44	68.83	\$ 18.39	36.45%
3,000	52.96	72.26	\$ 19.30	36.45%
4,000	55.48	75.70	\$ 20.22	36.45%
5,000	58.00	79.14	\$ 21.14	36.45%
6,000	60.52	82.58	\$ 22.06	36.45%
7,000	63.04	86.02	\$ 22.98	36.45%
8,000	65.56	89.45	\$ 23.89	36.45%
9,000	68.08	92.89	\$ 24.81	36.45%
10,000	70.60	96.33	\$ 25.73	36.44%
12,000	75.64	103.21	\$ 27.57	36.44%
14,000	80.68	110.08	\$ 29.40	36.44%
16,000	85.72	116.96	\$ 31.24	36.44%
18,000	90.76	123.83	\$ 33.07	36.44%
20,000	95.80	130.71	\$ 34.91	36.44%
25,000	108.40	147.90	\$ 39.50	36.44%
30,000	121.00	165.09	\$ 44.09	36.44%
35,000	133.60	182.28	\$ 48.68	36.44%
40,000	146.20	199.47	\$ 53.27	36.44%
45,000	158.80	216.66	\$ 57.86	36.44%
50,000	171.40	233.85	\$ 62.45	36.44%
60,000	196.60	268.23	\$ 71.63	36.43%
70,000	226.90	309.57	\$ 82.67	36.43%
80,000	257.20	350.91	\$ 93.71	36.43%
90,000	287.50	392.25	\$ 104.75	36.43%
100,000	317.80	433.59	\$ 115.79	36.43%

Present Rates:

Monthly Minimum:	\$	45.40
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 60,000	\$	2.52
Over 60,000	\$	3.03

Proposed Rates:

Monthly Minimum:	\$	61.95
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 60,000	\$	3.44
Over 60,000	\$	4.13

Average Usage				
47,736	\$	165.69	\$ 226.07	\$ 60.37 36.44%
Median Usage				
13,500	\$	79.42	\$ 108.36	\$ 28.94 36.44%

Chaparral City Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Commercial

Exhibit
Schedule H-4
Page 9
Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 73.00	\$ 99.61	\$ 26.61	36.45%
1,000	75.52	103.05	\$ 27.53	36.45%
2,000	78.04	106.49	\$ 28.45	36.45%
3,000	80.56	109.92	\$ 29.36	36.45%
4,000	83.08	113.36	\$ 30.28	36.45%
5,000	85.60	116.80	\$ 31.20	36.45%
6,000	88.12	120.24	\$ 32.12	36.45%
7,000	90.64	123.68	\$ 33.04	36.45%
8,000	93.16	127.11	\$ 33.95	36.45%
9,000	95.68	130.55	\$ 34.87	36.45%
10,000	98.20	133.99	\$ 35.79	36.45%
12,000	103.24	140.87	\$ 37.63	36.45%
14,000	108.28	147.74	\$ 39.46	36.44%
16,000	113.32	154.62	\$ 41.30	36.44%
18,000	118.36	161.49	\$ 43.13	36.44%
20,000	123.40	168.37	\$ 44.97	36.44%
25,000	136.00	185.56	\$ 49.56	36.44%
30,000	148.60	202.75	\$ 54.15	36.44%
35,000	161.20	219.94	\$ 58.74	36.44%
40,000	173.80	237.13	\$ 63.33	36.44%
45,000	186.40	254.32	\$ 67.92	36.44%
50,000	199.00	271.51	\$ 72.51	36.44%
60,000	224.20	305.89	\$ 81.69	36.44%
70,000	249.40	340.27	\$ 90.87	36.44%
80,000	274.60	374.65	\$ 100.05	36.43%
90,000	299.80	409.03	\$ 109.23	36.43%
100,000	325.00	443.41	\$ 118.41	36.43%
 Average Usage				
68,389 \$	245.34	\$ 334.73	\$ 89.39	36.44%
 Median Usage				
21,500 \$	127.18	\$ 173.53	\$ 46.35	36.44%

Present Rates:

Monthly Minimum: \$ 73.00
Gallons in Minimum -
Charge Per 1,000 Gallons
Up to 100,000 \$ 2.52
Over 100,000 \$ 3.03

Proposed Rates:

Monthly Minimum: \$ 99.61
Gallons in Minimum -
Charge Per 1,000 Gallons
Up to 100,000 \$ 3.44
Over 100,000 \$ 4.13

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 3 Inch Commercial

Exhibit
 Schedule H-4
 Page 10
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 146.00	\$ 199.21	\$ 53.21	36.45%
1,000	148.52	202.65	\$ 54.13	36.44%
2,000	151.04	206.09	\$ 55.05	36.44%
3,000	153.56	209.52	\$ 55.96	36.44%
4,000	156.08	212.96	\$ 56.88	36.44%
5,000	158.60	216.40	\$ 57.80	36.44%
6,000	161.12	219.84	\$ 58.72	36.44%
7,000	163.64	223.28	\$ 59.64	36.44%
8,000	166.16	226.71	\$ 60.55	36.44%
9,000	168.68	230.15	\$ 61.47	36.44%
10,000	171.20	233.59	\$ 62.39	36.44%
12,000	176.24	240.47	\$ 64.23	36.44%
14,000	181.28	247.34	\$ 66.06	36.44%
16,000	186.32	254.22	\$ 67.90	36.44%
18,000	191.36	261.09	\$ 69.73	36.44%
20,000	196.40	267.97	\$ 71.57	36.44%
25,000	209.00	285.16	\$ 76.16	36.44%
30,000	221.60	302.35	\$ 80.75	36.44%
35,000	234.20	319.54	\$ 85.34	36.44%
40,000	246.80	336.73	\$ 89.93	36.44%
45,000	259.40	353.92	\$ 94.52	36.44%
50,000	272.00	371.11	\$ 99.11	36.44%
60,000	297.20	405.49	\$ 108.29	36.44%
70,000	322.40	439.87	\$ 117.47	36.44%
80,000	347.60	474.25	\$ 126.65	36.44%
90,000	372.80	508.63	\$ 135.83	36.44%
100,000	398.00	543.01	\$ 145.01	36.43%

Present Rates:

Monthly Minimum:	\$	146.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 225,000	\$	2.52
Over 225,000	\$	3.03

Proposed Rates:

Monthly Minimum:	\$	199.21
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 225,000	\$	3.44
Over 225,000	\$	4.13

Average Usage				
34,550	\$	233.06	\$ 317.99	\$ 84.93 36.44%
Median Usage				
12,500	\$	177.50	\$ 242.19	\$ 64.69 36.44%

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 4 Inch Commercial

Exhibit
 Schedule H-4
 Page 11
 Witness: Bourassa

<u>Usage</u>	<u>Present</u>	<u>Proposed</u>	<u>Dollar</u>	<u>Percent</u>
	<u>Bill</u>	<u>Bill</u>	<u>Increase</u>	<u>Increase</u>
-	\$ 227.00	\$ 309.74	\$ 82.74	36.45%
1,000	229.52	313.18	\$ 83.66	36.45%
2,000	232.04	316.62	\$ 84.58	36.45%
3,000	234.56	320.05	\$ 85.49	36.45%
4,000	237.08	323.49	\$ 86.41	36.45%
5,000	239.60	326.93	\$ 87.33	36.45%
6,000	242.12	330.37	\$ 88.25	36.45%
7,000	244.64	333.81	\$ 89.17	36.45%
8,000	247.16	337.24	\$ 90.08	36.45%
9,000	249.68	340.68	\$ 91.00	36.45%
10,000	252.20	344.12	\$ 91.92	36.45%
12,000	257.24	351.00	\$ 93.76	36.45%
14,000	262.28	357.87	\$ 95.59	36.45%
16,000	267.32	364.75	\$ 97.43	36.45%
18,000	272.36	371.62	\$ 99.26	36.45%
20,000	277.40	378.50	\$ 101.10	36.45%
25,000	290.00	395.69	\$ 105.69	36.44%
30,000	302.60	412.88	\$ 110.28	36.44%
35,000	315.20	430.07	\$ 114.87	36.44%
40,000	327.80	447.26	\$ 119.46	36.44%
45,000	340.40	464.45	\$ 124.05	36.44%
50,000	353.00	481.64	\$ 128.64	36.44%
60,000	378.20	516.02	\$ 137.82	36.44%
70,000	403.40	550.40	\$ 147.00	36.44%
80,000	428.60	584.78	\$ 156.18	36.44%
90,000	453.80	619.16	\$ 165.36	36.44%
100,000	479.00	653.54	\$ 174.54	36.44%
 Average Usage				
186,146 \$	696.09	\$ 949.71	\$ 253.62	36.44%
 Median Usage				
79,500 \$	427.34	\$ 583.06	\$ 155.72	36.44%

Present Rates:

Monthly Minimum: \$ 227.00
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 350,000 \$ 2.52
 Over 350,000 \$ 3.03

Proposed Rates:

Monthly Minimum: \$ 309.74
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 350,000 \$ 3.44
 Over 350,000 \$ 4.13

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 3/4 Inch Industrial

Exhibit
 Schedule H-4
 Page 12
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 13.60	\$ 18.56	\$ 4.96	36.47%
1,000	15.28	20.85	\$ 5.57	36.47%
2,000	16.96	23.14	\$ 6.18	36.46%
3,000	18.64	25.44	\$ 6.80	36.46%
4,000	21.16	28.87	\$ 7.71	36.46%
5,000	23.68	32.31	\$ 8.63	36.45%
6,000	26.20	35.75	\$ 9.55	36.45%
7,000	28.72	39.19	\$ 10.47	36.45%
8,000	31.24	42.63	\$ 11.39	36.45%
9,000	33.76	46.06	\$ 12.30	36.45%
10,000	36.79	50.20	\$ 13.41	36.44%
12,000	42.85	58.47	\$ 15.62	36.44%
14,000	48.91	66.73	\$ 17.82	36.44%
16,000	54.97	75.00	\$ 20.03	36.44%
18,000	61.03	83.27	\$ 22.24	36.44%
20,000	67.09	91.54	\$ 24.45	36.44%
25,000	82.24	112.21	\$ 29.97	36.44%
30,000	97.39	132.88	\$ 35.49	36.44%
35,000	112.54	153.55	\$ 41.01	36.44%
40,000	127.69	174.22	\$ 46.53	36.44%
45,000	142.84	194.89	\$ 52.05	36.44%
50,000	157.99	215.56	\$ 57.57	36.44%
60,000	188.29	256.90	\$ 68.61	36.44%
70,000	218.59	298.24	\$ 79.65	36.44%
80,000	248.89	339.58	\$ 90.69	36.44%
90,000	279.19	380.92	\$ 101.73	36.44%
100,000	309.49	422.26	\$ 112.77	36.44%
Average Usage				
5,375 \$	24.63	\$ 33.60	\$ 8.98	36.45%
Median Usage				
3,500 \$	19.90	\$ 27.16	\$ 7.26	36.46%

Present Rates:

Monthly Minimum:	\$	13.60
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 3,000	\$	1.68
Up to 9,000	\$	2.52
Over 9,000	\$	3.03

Proposed Rates:

Monthly Minimum:	\$	18.56
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 3,000	\$	2.29
Up to 9,000	\$	3.44
Over 9,000	\$	4.13

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 1 Inch Industrial

Exhibit
 Schedule H-4
 Page 13
 Witness: Bourassa

<u>Usage</u>	<u>Present</u>	<u>Proposed</u>	<u>Dollar</u>	<u>Percent</u>
	<u>Bill</u>	<u>Bill</u>	<u>Increase</u>	<u>Increase</u>
-	\$ 22.70	\$ 30.97	\$ 8.27	36.43%
1,000	25.22	34.41	\$ 9.19	36.43%
2,000	27.74	37.85	\$ 10.11	36.43%
3,000	30.26	41.28	\$ 11.02	36.43%
4,000	32.78	44.72	\$ 11.94	36.43%
5,000	35.30	48.16	\$ 12.86	36.43%
6,000	37.82	51.60	\$ 13.78	36.43%
7,000	40.34	55.04	\$ 14.70	36.43%
8,000	42.86	58.47	\$ 15.61	36.43%
9,000	45.38	61.91	\$ 16.53	36.43%
10,000	47.90	65.35	\$ 17.45	36.43%
12,000	52.94	72.23	\$ 19.29	36.43%
14,000	57.98	79.10	\$ 21.12	36.43%
16,000	63.02	85.98	\$ 22.96	36.43%
18,000	68.06	92.85	\$ 24.79	36.43%
20,000	73.10	99.73	\$ 26.63	36.43%
25,000	86.21	117.62	\$ 31.41	36.43%
30,000	101.36	138.29	\$ 36.93	36.43%
35,000	116.51	158.96	\$ 42.45	36.43%
40,000	131.66	179.63	\$ 47.97	36.43%
45,000	146.81	200.30	\$ 53.49	36.43%
50,000	161.96	220.97	\$ 59.01	36.43%
60,000	192.26	262.31	\$ 70.05	36.43%
70,000	222.56	303.65	\$ 81.09	36.43%
80,000	252.86	344.99	\$ 92.13	36.43%
90,000	283.16	386.33	\$ 103.17	36.43%
100,000	313.46	427.67	\$ 114.21	36.43%

Present Rates:

Monthly Minimum:	\$	22.70
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 24,000	\$	2.52
Over 24,000	\$	3.03

Proposed Rates:

Monthly Minimum:	\$	30.97
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 24,000	\$	3.44
Over 24,000	\$	4.13

Average Usage					
-	\$	22.70	\$ 30.97	\$ 8.27	36.43%
Median Usage					
-	\$	22.70	\$ 30.97	\$ 8.27	36.43%

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 1 1/2 Inch Industrial

Exhibit
 Schedule H-4
 Page 14
 Witness: Bourassa

<u>Usage</u>	<u>Present</u>	<u>Proposed</u>	<u>Dollar</u>	<u>Percent</u>
	<u>Bill</u>	<u>Bill</u>	<u>Increase</u>	<u>Increase</u>
-	\$ 45.40	\$ 61.95	\$ 16.55	36.45%
1,000	47.92	65.39	\$ 17.47	36.45%
2,000	50.44	68.83	\$ 18.39	36.45%
3,000	52.96	72.26	\$ 19.30	36.45%
4,000	55.48	75.70	\$ 20.22	36.45%
5,000	58.00	79.14	\$ 21.14	36.45%
6,000	60.52	82.58	\$ 22.06	36.45%
7,000	63.04	86.02	\$ 22.98	36.45%
8,000	65.56	89.45	\$ 23.89	36.45%
9,000	68.08	92.89	\$ 24.81	36.45%
10,000	70.60	96.33	\$ 25.73	36.44%
12,000	75.64	103.21	\$ 27.57	36.44%
14,000	80.68	110.08	\$ 29.40	36.44%
16,000	85.72	116.96	\$ 31.24	36.44%
18,000	90.76	123.83	\$ 33.07	36.44%
20,000	95.80	130.71	\$ 34.91	36.44%
25,000	108.40	147.90	\$ 39.50	36.44%
30,000	121.00	165.09	\$ 44.09	36.44%
35,000	133.60	182.28	\$ 48.68	36.44%
40,000	146.20	199.47	\$ 53.27	36.44%
45,000	158.80	216.66	\$ 57.86	36.44%
50,000	171.40	233.85	\$ 62.45	36.44%
60,000	196.60	268.23	\$ 71.63	36.43%
70,000	226.90	309.57	\$ 82.67	36.43%
80,000	257.20	350.91	\$ 93.71	36.43%
90,000	287.50	392.25	\$ 104.75	36.43%
100,000	317.80	433.59	\$ 115.79	36.43%

Present Rates:

Monthly Minimum:	\$	45.40
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 60,000	\$	2.52
Over 60,000	\$	3.03

Proposed Rates:

Monthly Minimum:	\$	61.95
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 60,000	\$	3.44
Over 60,000	\$	4.13

Average Usage					
8,000	\$	65.56	\$	89.45	\$ 23.89 36.45%
Median Usage					
-	\$	45.40	\$	61.95	\$ 16.55 36.45%

Chaparral City Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 34 Inch Irrigation

Exhibit
Schedule H-4
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Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 13.60	\$ 18.56	\$ 4.96	36.47%
1,000	15.16	22.00	\$ 6.84	45.11%
2,000	16.72	25.44	\$ 8.72	52.13%
3,000	18.28	28.87	\$ 10.59	57.95%
4,000	19.84	32.31	\$ 12.47	62.86%
5,000	21.40	35.75	\$ 14.35	67.06%
6,000	22.96	39.19	\$ 16.23	70.68%
7,000	24.52	42.63	\$ 18.11	73.84%
8,000	26.08	46.06	\$ 19.98	76.63%
9,000	27.64	49.50	\$ 21.86	79.10%
10,000	29.20	52.94	\$ 23.74	81.30%
12,000	32.32	59.82	\$ 27.50	85.07%
14,000	35.44	66.69	\$ 31.25	88.18%
16,000	38.56	73.57	\$ 35.01	90.79%
18,000	41.68	80.44	\$ 38.76	93.00%
20,000	44.80	87.32	\$ 42.52	94.91%
25,000	52.60	104.51	\$ 51.91	98.69%
30,000	60.40	121.70	\$ 61.30	101.49%
35,000	68.20	138.89	\$ 70.69	103.65%
40,000	76.00	156.08	\$ 80.08	105.37%
45,000	83.80	173.27	\$ 89.47	106.77%
50,000	91.60	190.46	\$ 98.86	107.93%
60,000	107.20	224.84	\$ 117.64	109.74%
70,000	122.80	259.22	\$ 136.42	111.09%
80,000	138.40	293.60	\$ 155.20	112.14%
90,000	154.00	327.98	\$ 173.98	112.97%
100,000	169.60	362.36	\$ 192.76	113.66%
 Average Usage				
16,732 \$	39.70	\$ 76.08	\$ 36.38	91.64%
Median Usage				
8,500 \$	26.86	\$ 47.78	\$ 20.92	77.90%

Present Rates:

Monthly Minimum:	\$	13.60
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	- \$	1.56
Over	- \$	1.56

Proposed Rates:

Monthly Minimum:	\$	18.56
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	- \$	3.44
Over	- \$	3.44

Chaparral City Water Company

Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Irrigation

Exhibit
Schedule H-4
Page 16
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 22.70	\$ 30.97	\$ 8.27	36.43%
1,000	24.26	34.41	\$ 10.15	41.83%
2,000	25.82	37.85	\$ 12.03	46.58%
3,000	27.38	41.28	\$ 13.90	50.78%
4,000	28.94	44.72	\$ 15.78	54.53%
5,000	30.50	48.16	\$ 17.66	57.90%
6,000	32.06	51.60	\$ 19.54	60.94%
7,000	33.62	55.04	\$ 21.42	63.70%
8,000	35.18	58.47	\$ 23.29	66.21%
9,000	36.74	61.91	\$ 25.17	68.51%
10,000	38.30	65.35	\$ 27.05	70.63%
12,000	41.42	72.23	\$ 30.81	74.37%
14,000	44.54	79.10	\$ 34.56	77.60%
16,000	47.66	85.98	\$ 38.32	80.40%
18,000	50.78	92.85	\$ 42.07	82.86%
20,000	53.90	99.73	\$ 45.83	85.03%
25,000	61.70	116.92	\$ 55.22	89.50%
30,000	69.50	134.11	\$ 64.61	92.96%
35,000	77.30	151.30	\$ 74.00	95.73%
40,000	85.10	168.49	\$ 83.39	97.99%
45,000	92.90	185.68	\$ 92.78	99.87%
50,000	100.70	202.87	\$ 102.17	101.46%
60,000	116.30	237.25	\$ 120.95	104.00%
70,000	131.90	271.63	\$ 139.73	105.94%
80,000	147.50	306.01	\$ 158.51	107.46%
90,000	163.10	340.39	\$ 177.29	108.70%
100,000	178.70	374.77	\$ 196.07	109.72%

Average Usage
41,781 \$ 87.88 \$ 174.61 \$ 86.73 98.70%

Median Usage
15,500 \$ 46.88 \$ 84.26 \$ 37.38 79.73%

Present Rates:
Monthly Minimum: \$ 22.70
Gallons in Minimum -
Charge Per 1,000 Gallons
Up to \$ 1.56
Over \$ 1.56

Proposed Rates:
Monthly Minimum: \$ 30.97
Gallons in Minimum -
Charge Per 1,000 Gallons
Up to \$ 3.44
Over \$ 3.44

Chaparral City Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 15 Inch Irrigation

Exhibit
Schedule H-4
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Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 45.40	\$ 61.95	\$ 16.55	36.45%
1,000	46.96	65.39	\$ 18.43	39.24%
2,000	48.52	68.83	\$ 20.31	41.85%
3,000	50.08	72.26	\$ 22.18	44.30%
4,000	51.64	75.70	\$ 24.06	46.60%
5,000	53.20	79.14	\$ 25.94	48.76%
6,000	54.76	82.58	\$ 27.82	50.80%
7,000	56.32	86.02	\$ 29.70	52.73%
8,000	57.88	89.45	\$ 31.57	54.55%
9,000	59.44	92.89	\$ 33.45	56.28%
10,000	61.00	96.33	\$ 35.33	57.92%
12,000	64.12	103.21	\$ 39.09	60.96%
14,000	67.24	110.08	\$ 42.84	63.72%
16,000	70.36	116.96	\$ 46.60	66.23%
18,000	73.48	123.83	\$ 50.35	68.53%
20,000	76.60	130.71	\$ 54.11	70.64%
25,000	84.40	147.90	\$ 63.50	75.24%
30,000	92.20	165.09	\$ 72.89	79.06%
35,000	100.00	182.28	\$ 82.28	82.28%
40,000	107.80	199.47	\$ 91.67	85.04%
45,000	115.60	216.66	\$ 101.06	87.42%
50,000	123.40	233.85	\$ 110.45	89.51%
60,000	139.00	268.23	\$ 129.23	92.97%
70,000	154.60	302.61	\$ 148.01	95.74%
80,000	170.20	336.99	\$ 166.79	98.00%
90,000	185.80	371.37	\$ 185.57	99.88%
100,000	201.40	405.75	\$ 204.35	101.46%
 Average Usage				
76,173	\$ 164.23	\$ 323.83	\$ 159.60	97.18%
 Median Usage				
24,500	\$ 83.62	\$ 146.18	\$ 62.56	74.82%

Present Rates:

Monthly Minimum:	\$	45.40
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	-	\$ 1.56
Over	-	\$ 1.56

Proposed Rates:

Monthly Minimum:	\$	61.95
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	-	\$ 3.44
Over	-	\$ 3.44

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 2 Inch Irrigation

Exhibit
 Schedule H-4
 Page 18
 Witness: Bourassa

<u>Usage</u>	<u>Present</u>	<u>Proposed</u>	<u>Dollar</u>	<u>Percent</u>
	<u>Bill</u>	<u>Bill</u>	<u>Increase</u>	<u>Increase</u>
-	\$ 73.00	\$ 99.61	\$ 26.61	36.45%
1,000	74.56	103.05	\$ 28.49	38.21%
2,000	76.12	106.49	\$ 30.37	39.89%
3,000	77.68	109.92	\$ 32.24	41.51%
4,000	79.24	113.36	\$ 34.12	43.06%
5,000	80.80	116.80	\$ 36.00	44.55%
6,000	82.36	120.24	\$ 37.88	45.99%
7,000	83.92	123.68	\$ 39.76	47.37%
8,000	85.48	127.11	\$ 41.63	48.71%
9,000	87.04	130.55	\$ 43.51	49.99%
10,000	88.60	133.99	\$ 45.39	51.23%
12,000	91.72	140.87	\$ 49.15	53.58%
14,000	94.84	147.74	\$ 52.90	55.78%
16,000	97.96	154.62	\$ 56.66	57.84%
18,000	101.08	161.49	\$ 60.41	59.77%
20,000	104.20	168.37	\$ 64.17	61.58%
25,000	112.00	185.56	\$ 73.56	65.68%
30,000	119.80	202.75	\$ 82.95	69.24%
35,000	127.60	219.94	\$ 92.34	72.37%
40,000	135.40	237.13	\$ 101.73	75.13%
45,000	143.20	254.32	\$ 111.12	77.60%
50,000	151.00	271.51	\$ 120.51	79.81%
60,000	166.60	305.89	\$ 139.29	83.61%
70,000	182.20	340.27	\$ 158.07	86.76%
80,000	197.80	374.65	\$ 176.85	89.41%
90,000	213.40	409.03	\$ 195.63	91.67%
100,000	229.00	443.41	\$ 214.41	93.63%
 Average Usage				
119,346 \$	259.18	\$ 509.92	\$ 250.74	96.74%
Median Usage				
63,000 \$	171.28	\$ 316.20	\$ 144.92	84.61%

Present Rates:

Monthly Minimum: \$ 73.00
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to - \$ 1.56
 Over - \$ 1.56

Proposed Rates:

Monthly Minimum: \$ 99.61
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to - \$ 3.44
 Over - \$ 3.44

Chaparral City Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 4 Inch Irrigation

Exhibit
Schedule H-4
Page 19
Witness: Bourassa

<u>Usage</u>	<u>Present</u>	<u>Proposed</u>	<u>Dollar</u>	<u>Percent</u>
	<u>Bill</u>	<u>Bill</u>	<u>Increase</u>	<u>Increase</u>
-	\$ 227.00	\$ 309.74	\$ 82.74	36.45%
1,000	228.56	313.18	\$ 84.62	37.02%
2,000	230.12	316.62	\$ 86.50	37.59%
3,000	231.68	320.05	\$ 88.37	38.14%
4,000	233.24	323.49	\$ 90.25	38.69%
5,000	234.80	326.93	\$ 92.13	39.24%
6,000	236.36	330.37	\$ 94.01	39.77%
7,000	237.92	333.81	\$ 95.89	40.30%
8,000	239.48	337.24	\$ 97.76	40.82%
9,000	241.04	340.68	\$ 99.64	41.34%
10,000	242.60	344.12	\$ 101.52	41.85%
12,000	245.72	351.00	\$ 105.28	42.84%
14,000	248.84	357.87	\$ 109.03	43.82%
16,000	251.96	364.75	\$ 112.79	44.76%
18,000	255.08	371.62	\$ 116.54	45.69%
20,000	258.20	378.50	\$ 120.30	46.59%
25,000	266.00	395.69	\$ 129.69	48.76%
30,000	273.80	412.88	\$ 139.08	50.80%
35,000	281.60	430.07	\$ 148.47	52.72%
40,000	289.40	447.26	\$ 157.86	54.55%
45,000	297.20	464.45	\$ 167.25	56.28%
50,000	305.00	481.64	\$ 176.64	57.91%
60,000	320.60	516.02	\$ 195.42	60.95%
70,000	336.20	550.40	\$ 214.20	63.71%
80,000	351.80	584.78	\$ 232.98	66.23%
90,000	367.40	619.16	\$ 251.76	68.52%
100,000	383.00	653.54	\$ 270.54	70.64%

Present Rates:

Monthly Minimum: \$ 227.00
Gallons in Minimum -
Charge Per 1,000 Gallons
Up to - \$ 1.56
Over - \$ 1.56

Proposed Rates:

Monthly Minimum: \$ 309.74
Gallons in Minimum -
Charge Per 1,000 Gallons
Up to - \$ 3.44
Over - \$ 3.44

Average Usage				
1,813,070	\$ 3,055.39	\$ 6,543.08	\$ 3,487.69	114.15%
Median Usage				
157,000	\$ 471.92	\$ 849.51	\$ 377.59	80.01%

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 6 Inch Irrigation

Exhibit
 Schedule H-4
 Page 20
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 454.00	\$ 619.47	\$ 165.47	36.45%
1,000	455.56	622.91	\$ 167.35	36.73%
2,000	457.12	626.35	\$ 169.23	37.02%
3,000	458.68	629.78	\$ 171.10	37.30%
4,000	460.24	633.22	\$ 172.98	37.59%
5,000	461.80	636.66	\$ 174.86	37.86%
6,000	463.36	640.10	\$ 176.74	38.14%
7,000	464.92	643.54	\$ 178.62	38.42%
8,000	466.48	646.97	\$ 180.49	38.69%
9,000	468.04	650.41	\$ 182.37	38.97%
10,000	469.60	653.85	\$ 184.25	39.24%
12,000	472.72	660.73	\$ 188.01	39.77%
14,000	475.84	667.60	\$ 191.76	40.30%
16,000	478.96	674.48	\$ 195.52	40.82%
18,000	482.08	681.35	\$ 199.27	41.34%
20,000	485.20	688.23	\$ 203.03	41.84%
25,000	493.00	705.42	\$ 212.42	43.09%
30,000	500.80	722.61	\$ 221.81	44.29%
35,000	508.60	739.80	\$ 231.20	45.46%
40,000	516.40	756.99	\$ 240.59	46.59%
45,000	524.20	774.18	\$ 249.98	47.69%
50,000	532.00	791.37	\$ 259.37	48.75%
60,000	547.60	825.75	\$ 278.15	50.79%
70,000	563.20	860.13	\$ 296.93	52.72%
80,000	578.80	894.51	\$ 315.71	54.55%
90,000	594.40	928.89	\$ 334.49	56.27%
100,000	610.00	963.27	\$ 353.27	57.91%

Present Rates:

Monthly Minimum: \$ 454.00
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to - \$ 1.56
 Over - \$ 1.56

Proposed Rates:

Monthly Minimum: \$ 619.47
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to - \$ 3.44
 Over - \$ 3.44

Average Usage

5,451,042 \$ 8,957.63 \$ 19,360.15 \$ 10,402.53 116.13%

Median Usage

1,312,000 \$ 2,500.72 \$ 5,130.13 \$ 2,629.41 105.15%

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 3 Inch Fire Hydrant (Standpipe)

Exhibit
 Schedule H-4
 Page 21
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 146.00	\$ 199.21	\$ 53.21	36.45%
1,000	148.52	202.65	\$ 54.13	36.44%
2,000	151.04	206.09	\$ 55.05	36.44%
3,000	153.56	209.52	\$ 55.96	36.44%
4,000	156.08	212.96	\$ 56.88	36.44%
5,000	158.60	216.40	\$ 57.80	36.44%
6,000	161.12	219.84	\$ 58.72	36.44%
7,000	163.64	223.28	\$ 59.64	36.44%
8,000	166.16	226.71	\$ 60.55	36.44%
9,000	168.68	230.15	\$ 61.47	36.44%
10,000	171.20	233.59	\$ 62.39	36.44%
12,000	176.24	240.47	\$ 64.23	36.44%
14,000	181.28	247.34	\$ 66.06	36.44%
16,000	186.32	254.22	\$ 67.90	36.44%
18,000	191.36	261.09	\$ 69.73	36.44%
20,000	196.40	267.97	\$ 71.57	36.44%
25,000	209.00	285.16	\$ 76.16	36.44%
30,000	221.60	302.35	\$ 80.75	36.44%
35,000	234.20	319.54	\$ 85.34	36.44%
40,000	246.80	336.73	\$ 89.93	36.44%
45,000	259.40	353.92	\$ 94.52	36.44%
50,000	272.00	371.11	\$ 99.11	36.44%
60,000	297.20	405.49	\$ 108.29	36.44%
70,000	322.40	439.87	\$ 117.47	36.44%
80,000	347.60	474.25	\$ 126.65	36.44%
90,000	372.80	508.63	\$ 135.83	36.44%
100,000	398.00	543.01	\$ 145.01	36.43%
Average Usage				
26,121	\$ 211.82	\$ 289.01	\$ 77.19	36.44%
Median Usage				
9,500	\$ 169.94	\$ 231.87	\$ 61.93	36.44%

Present Rates:

Monthly Minimum: \$ 146.00
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to - \$ 2.52
 Over - \$ 2.52

Proposed Rates:

Monthly Minimum: \$ 199.21
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to - \$ 3.44
 Over - \$ 3.44

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 4 Inch Fire Hydrant (Standpipe)

Exhibit
 Schedule H-4
 Page 22
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 227.00	\$ 309.74	\$ 82.74	36.45%
1,000	229.52	313.18	\$ 83.66	36.45%
2,000	232.04	316.62	\$ 84.58	36.45%
3,000	234.56	320.05	\$ 85.49	36.45%
4,000	237.08	323.49	\$ 86.41	36.45%
5,000	239.60	326.93	\$ 87.33	36.45%
6,000	242.12	330.37	\$ 88.25	36.45%
7,000	244.64	333.81	\$ 89.17	36.45%
8,000	247.16	337.24	\$ 90.08	36.45%
9,000	249.68	340.68	\$ 91.00	36.45%
10,000	252.20	344.12	\$ 91.92	36.45%
12,000	257.24	351.00	\$ 93.76	36.45%
14,000	262.28	357.87	\$ 95.59	36.45%
16,000	267.32	364.75	\$ 97.43	36.45%
18,000	272.36	371.62	\$ 99.26	36.45%
20,000	277.40	378.50	\$ 101.10	36.45%
25,000	290.00	395.69	\$ 105.69	36.44%
30,000	302.60	412.88	\$ 110.28	36.44%
35,000	315.20	430.07	\$ 114.87	36.44%
40,000	327.80	447.26	\$ 119.46	36.44%
45,000	340.40	464.45	\$ 124.05	36.44%
50,000	353.00	481.64	\$ 128.64	36.44%
60,000	378.20	516.02	\$ 137.82	36.44%
70,000	403.40	550.40	\$ 147.00	36.44%
80,000	428.60	584.78	\$ 156.18	36.44%
90,000	453.80	619.16	\$ 165.36	36.44%
100,000	479.00	653.54	\$ 174.54	36.44%

Average Usage				
516,917	\$ 1,529.63	\$ 2,086.90	\$ 557.27	36.43%
Median Usage				
561,500	\$ 1,641.98	\$ 2,240.18	\$ 598.20	36.43%

Present Rates:

Monthly Minimum:	\$	227.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	- \$	2.52
Over	- \$	2.52

Proposed Rates:

Monthly Minimum:	\$	309.74
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	- \$	3.44
Over	- \$	3.44

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 34 Inch Construction

Exhibit
 Schedule H-4
 Page 23
 Witness: Bourassa

<u>Usage</u>	<u>Present</u>	<u>Proposed</u>	<u>Dollar</u>	<u>Percent</u>
	<u>Bill</u>	<u>Bill</u>	<u>Increase</u>	<u>Increase</u>
-	\$ 13.60	\$ 18.56	\$ 4.96	36.47%
1,000	15.16	22.00	\$ 6.84	45.11%
2,000	16.72	25.44	\$ 8.72	52.13%
3,000	18.28	28.87	\$ 10.59	57.95%
4,000	19.84	32.31	\$ 12.47	62.86%
5,000	21.40	35.75	\$ 14.35	67.06%
6,000	22.96	39.19	\$ 16.23	70.68%
7,000	24.52	42.63	\$ 18.11	73.84%
8,000	26.08	46.06	\$ 19.98	76.63%
9,000	27.64	49.50	\$ 21.86	79.10%
10,000	29.20	52.94	\$ 23.74	81.30%
12,000	32.32	59.82	\$ 27.50	85.07%
14,000	35.44	66.69	\$ 31.25	88.18%
16,000	38.56	73.57	\$ 35.01	90.79%
18,000	41.68	80.44	\$ 38.76	93.00%
20,000	44.80	87.32	\$ 42.52	94.91%
25,000	52.60	104.51	\$ 51.91	98.69%
30,000	60.40	121.70	\$ 61.30	101.49%
35,000	68.20	138.89	\$ 70.69	103.65%
40,000	76.00	156.08	\$ 80.08	105.37%
45,000	83.80	173.27	\$ 89.47	106.77%
50,000	91.60	190.46	\$ 98.86	107.93%
60,000	107.20	224.84	\$ 117.64	109.74%
70,000	122.80	259.22	\$ 136.42	111.09%
80,000	138.40	293.60	\$ 155.20	112.14%
90,000	154.00	327.98	\$ 173.98	112.97%
100,000	169.60	362.36	\$ 192.76	113.66%
Average Usage				
959	\$ 15.10	\$ 21.86	\$ 6.76	44.78%
Median Usage				
-	\$ 13.60	\$ 18.56	\$ 4.96	36.47%

Present Rates:

Monthly Minimum: \$ 13.60
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to - \$ 1.56
 Over - \$ 1.56

Proposed Rates:

Monthly Minimum: \$ 18.56
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to - \$ 3.44
 Over - \$ 3.44

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 1 Inch Construction

Exhibit
 Schedule H-4
 Page 24
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 22.70	\$ 30.97	\$ 8.27	36.43%
1,000	24.26	34.41	\$ 10.15	41.83%
2,000	25.82	37.85	\$ 12.03	46.58%
3,000	27.38	41.28	\$ 13.90	50.78%
4,000	28.94	44.72	\$ 15.78	54.53%
5,000	30.50	48.16	\$ 17.66	57.90%
6,000	32.06	51.60	\$ 19.54	60.94%
7,000	33.62	55.04	\$ 21.42	63.70%
8,000	35.18	58.47	\$ 23.29	66.21%
9,000	36.74	61.91	\$ 25.17	68.51%
10,000	38.30	65.35	\$ 27.05	70.63%
12,000	41.42	72.23	\$ 30.81	74.37%
14,000	44.54	79.10	\$ 34.56	77.60%
16,000	47.66	85.98	\$ 38.32	80.40%
18,000	50.78	92.85	\$ 42.07	82.86%
20,000	53.90	99.73	\$ 45.83	85.03%
25,000	61.70	116.92	\$ 55.22	89.50%
30,000	69.50	134.11	\$ 64.61	92.96%
35,000	77.30	151.30	\$ 74.00	95.73%
40,000	85.10	168.49	\$ 83.39	97.99%
45,000	92.90	185.68	\$ 92.78	99.87%
50,000	100.70	202.87	\$ 102.17	101.46%
60,000	116.30	237.25	\$ 120.95	104.00%
70,000	131.90	271.63	\$ 139.73	105.94%
80,000	147.50	306.01	\$ 158.51	107.46%
90,000	163.10	340.39	\$ 177.29	108.70%
100,000	178.70	374.77	\$ 196.07	109.72%

Present Rates:

Monthly Minimum:	\$	22.70
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	- \$	1.56
Over	- \$	1.56

Proposed Rates:

Monthly Minimum:	\$	30.97
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	- \$	3.44
Over	- \$	3.44

Average Usage					
11,803	\$	41.11	\$ 71.55	\$ 30.44	74.03%
Median Usage					
11,500	\$	40.64	\$ 70.51	\$ 29.87	73.49%

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 2 Inch Construction

Exhibit
 Schedule H-4
 Page 25
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 73.00	\$ 99.61	\$ 26.61	36.45%
1,000	74.56	103.05	\$ 28.49	38.21%
2,000	76.12	106.49	\$ 30.37	39.89%
3,000	77.68	109.92	\$ 32.24	41.51%
4,000	79.24	113.36	\$ 34.12	43.06%
5,000	80.80	116.80	\$ 36.00	44.55%
6,000	82.36	120.24	\$ 37.88	45.99%
7,000	83.92	123.68	\$ 39.76	47.37%
8,000	85.48	127.11	\$ 41.63	48.71%
9,000	87.04	130.55	\$ 43.51	49.99%
10,000	88.60	133.99	\$ 45.39	51.23%
12,000	91.72	140.87	\$ 49.15	53.58%
14,000	94.84	147.74	\$ 52.90	55.78%
16,000	97.96	154.62	\$ 56.66	57.84%
18,000	101.08	161.49	\$ 60.41	59.77%
20,000	104.20	168.37	\$ 64.17	61.58%
25,000	112.00	185.56	\$ 73.56	65.68%
30,000	119.80	202.75	\$ 82.95	69.24%
35,000	127.60	219.94	\$ 92.34	72.37%
40,000	135.40	237.13	\$ 101.73	75.13%
45,000	143.20	254.32	\$ 111.12	77.60%
50,000	151.00	271.51	\$ 120.51	79.81%
60,000	166.60	305.89	\$ 139.29	83.61%
70,000	182.20	340.27	\$ 158.07	86.76%
80,000	197.80	374.65	\$ 176.85	89.41%
90,000	213.40	409.03	\$ 195.63	91.67%
100,000	229.00	443.41	\$ 214.41	93.63%

Present Rates:

Monthly Minimum:	\$	73.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	- \$	1.56
Over	- \$	1.56

Proposed Rates:

Monthly Minimum:	\$	99.61
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	- \$	3.44
Over	- \$	3.44

Average Usage				
36,000	\$	129.16	\$ 223.38	\$ 94.22 72.95%
Median Usage				
59,000	\$	165.04	\$ 302.45	\$ 137.41 83.26%

Chaparral City Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Construction

Exhibit
Schedule H-4
Page 26
Witness: Bourassa

<u>Usage</u>	<u>Present</u>	<u>Proposed</u>	<u>Dollar</u>	<u>Percent</u>
	<u>Bill</u>	<u>Bill</u>	<u>Increase</u>	<u>Increase</u>
-	\$ 146.00	\$ 199.21	\$ 53.21	36.45%
1,000	147.56	202.65	\$ 55.09	37.33%
2,000	149.12	206.09	\$ 56.97	38.20%
3,000	150.68	209.52	\$ 58.84	39.05%
4,000	152.24	212.96	\$ 60.72	39.89%
5,000	153.80	216.40	\$ 62.60	40.70%
6,000	155.36	219.84	\$ 64.48	41.50%
7,000	156.92	223.28	\$ 66.36	42.29%
8,000	158.48	226.71	\$ 68.23	43.06%
9,000	160.04	230.15	\$ 70.11	43.81%
10,000	161.60	233.59	\$ 71.99	44.55%
12,000	164.72	240.47	\$ 75.75	45.98%
14,000	167.84	247.34	\$ 79.50	47.37%
16,000	170.96	254.22	\$ 83.26	48.70%
18,000	174.08	261.09	\$ 87.01	49.99%
20,000	177.20	267.97	\$ 90.77	51.22%
25,000	185.00	285.16	\$ 100.16	54.14%
30,000	192.80	302.35	\$ 109.55	56.82%
35,000	200.60	319.54	\$ 118.94	59.29%
40,000	208.40	336.73	\$ 128.33	61.58%
45,000	216.20	353.92	\$ 137.72	63.70%
50,000	224.00	371.11	\$ 147.11	65.67%
60,000	239.60	405.49	\$ 165.89	69.24%
70,000	255.20	439.87	\$ 184.67	72.36%
80,000	270.80	474.25	\$ 203.45	75.13%
90,000	286.40	508.63	\$ 222.23	77.59%
100,000	302.00	543.01	\$ 241.01	79.80%

Present Rates:

Monthly Minimum: \$ 146.00
Gallons in Minimum -
Charge Per 1,000 Gallons
Up to - \$ 1.56
Over - \$ 1.56

Proposed Rates:

Monthly Minimum: \$ 199.21
Gallons in Minimum -
Charge Per 1,000 Gallons
Up to - \$ 3.44
Over - \$ 3.44

Average Usage				
180,682	\$	427.86	\$ 820.39	\$ 392.53 91.74%
Median Usage				
19,500	\$	176.42	\$ 266.25	\$ 89.83 50.92%

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 4 Inch Construction

Exhibit
 Schedule H-4
 Page 27
 Witness: Bourassa

<u>Usage</u>	<u>Present</u>	<u>Proposed</u>	<u>Dollar</u>	<u>Percent</u>
	<u>Bill</u>	<u>Bill</u>	<u>Increase</u>	<u>Increase</u>
-	\$ 227.00	\$ 309.74	\$ 82.74	36.45%
1,000	228.56	313.18	\$ 84.62	37.02%
2,000	230.12	316.62	\$ 86.50	37.59%
3,000	231.68	320.05	\$ 88.37	38.14%
4,000	233.24	323.49	\$ 90.25	38.69%
5,000	234.80	326.93	\$ 92.13	39.24%
6,000	236.36	330.37	\$ 94.01	39.77%
7,000	237.92	333.81	\$ 95.89	40.30%
8,000	239.48	337.24	\$ 97.76	40.82%
9,000	241.04	340.68	\$ 99.64	41.34%
10,000	242.60	344.12	\$ 101.52	41.85%
12,000	245.72	351.00	\$ 105.28	42.84%
14,000	248.84	357.87	\$ 109.03	43.82%
16,000	251.96	364.75	\$ 112.79	44.76%
18,000	255.08	371.62	\$ 116.54	45.69%
20,000	258.20	378.50	\$ 120.30	46.59%
25,000	266.00	395.69	\$ 129.69	48.76%
30,000	273.80	412.88	\$ 139.08	50.80%
35,000	281.60	430.07	\$ 148.47	52.72%
40,000	289.40	447.26	\$ 157.86	54.55%
45,000	297.20	464.45	\$ 167.25	56.28%
50,000	305.00	481.64	\$ 176.64	57.91%
60,000	320.60	516.02	\$ 195.42	60.95%
70,000	336.20	550.40	\$ 214.20	63.71%
80,000	351.80	584.78	\$ 232.98	66.23%
90,000	367.40	619.16	\$ 251.76	68.52%
100,000	383.00	653.54	\$ 270.54	70.64%
 Average Usage				
94,500 \$	374.42	\$ 634.63	\$ 260.21	69.50%
Median Usage				
106,000 \$	392.36	\$ 674.17	\$ 281.81	71.82%

Present Rates:

Monthly Minimum: \$ 227.00
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to - \$ 1.56
 Over - \$ 1.56

Proposed Rates:

Monthly Minimum: \$ 309.74
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to - \$ 3.44
 Over - \$ 3.44

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 3/4 Inch Fire Sprinkler

Exhibit
 Schedule H-4
 Page 28
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 10.00	\$ 10.00	\$ -	0.00%
1,000	12.52	13.44	\$ 0.92	7.33%
2,000	15.04	16.88	\$ 1.84	12.21%
3,000	17.56	20.31	\$ 2.75	15.68%
4,000	20.08	23.75	\$ 3.67	18.29%
5,000	22.60	27.19	\$ 4.59	20.31%
6,000	25.12	30.63	\$ 5.51	21.93%
7,000	27.64	34.07	\$ 6.43	23.25%
8,000	30.16	37.50	\$ 7.34	24.35%
9,000	32.68	40.94	\$ 8.26	25.28%
10,000	35.20	44.38	\$ 9.18	26.08%
12,000	40.24	51.26	\$ 11.02	27.38%
14,000	45.28	58.13	\$ 12.85	28.38%
16,000	50.32	65.01	\$ 14.69	29.19%
18,000	55.36	71.88	\$ 16.52	29.85%
20,000	60.40	78.76	\$ 18.36	30.40%
25,000	73.00	95.95	\$ 22.95	31.44%
30,000	85.60	113.14	\$ 27.54	32.17%
35,000	98.20	130.33	\$ 32.13	32.72%
40,000	110.80	147.52	\$ 36.72	33.14%
45,000	123.40	164.71	\$ 41.31	33.48%
50,000	136.00	181.90	\$ 45.90	33.75%
60,000	161.20	216.28	\$ 55.08	34.17%
70,000	186.40	250.66	\$ 64.26	34.47%
80,000	211.60	285.04	\$ 73.44	34.71%
90,000	236.80	319.42	\$ 82.62	34.89%
100,000	262.00	353.80	\$ 91.80	35.04%
Average Usage				
3 \$	10.01	\$ 10.01	\$ 0.00	0.03%
Median Usage				
- \$	10.00	\$ 10.00	\$ -	0.00%

Present Rates:

Monthly Minimum:	\$	10.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	- \$	2.52
Over	- \$	2.52

Proposed Rates:

Monthly Minimum:	\$	10.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	- \$	3.44
Over	- \$	3.44

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 1 Inch Fire Sprinkler

Exhibit
 Schedule H-4
 Page 29
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 10.00	\$ 10.00	\$ -	0.00%
1,000	12.52	13.44	\$ 0.92	7.33%
2,000	15.04	16.88	\$ 1.84	12.21%
3,000	17.56	20.31	\$ 2.75	15.68%
4,000	20.08	23.75	\$ 3.67	18.29%
5,000	22.60	27.19	\$ 4.59	20.31%
6,000	25.12	30.63	\$ 5.51	21.93%
7,000	27.64	34.07	\$ 6.43	23.25%
8,000	30.16	37.50	\$ 7.34	24.35%
9,000	32.68	40.94	\$ 8.26	25.28%
10,000	35.20	44.38	\$ 9.18	26.08%
12,000	40.24	51.26	\$ 11.02	27.38%
14,000	45.28	58.13	\$ 12.85	28.38%
16,000	50.32	65.01	\$ 14.69	29.19%
18,000	55.36	71.88	\$ 16.52	29.85%
20,000	60.40	78.76	\$ 18.36	30.40%
25,000	73.00	95.95	\$ 22.95	31.44%
30,000	85.60	113.14	\$ 27.54	32.17%
35,000	98.20	130.33	\$ 32.13	32.72%
40,000	110.80	147.52	\$ 36.72	33.14%
45,000	123.40	164.71	\$ 41.31	33.48%
50,000	136.00	181.90	\$ 45.90	33.75%
60,000	161.20	216.28	\$ 55.08	34.17%
70,000	186.40	250.66	\$ 64.26	34.47%
80,000	211.60	285.04	\$ 73.44	34.71%
90,000	236.80	319.42	\$ 82.62	34.89%
100,000	262.00	353.80	\$ 91.80	35.04%

Present Rates:

Monthly Minimum:	\$	10.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	\$	2.52
Over	\$	2.52

Proposed Rates:

Monthly Minimum:	\$	10.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	\$	3.44
Over	\$	3.44

Average Usage					
63	\$	10.16	\$	10.22	\$ 0.06 0.57%
Median Usage					
-	\$	10.00	\$	10.00	\$ - 0.00%

Chaparral City Water Company
 Bill Comparison Present and Proposed Rates
 Meter Size: 1 1/2 Inch Fire Sprinkler

Exhibit
 Schedule H-4
 Page 30
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 10.00	\$ 10.00	\$ -	0.00%
1,000	12.52	13.44	\$ 0.92	7.33%
2,000	15.04	16.88	\$ 1.84	12.21%
3,000	17.56	20.31	\$ 2.75	15.68%
4,000	20.08	23.75	\$ 3.67	18.29%
5,000	22.60	27.19	\$ 4.59	20.31%
6,000	25.12	30.63	\$ 5.51	21.93%
7,000	27.64	34.07	\$ 6.43	23.25%
8,000	30.16	37.50	\$ 7.34	24.35%
9,000	32.68	40.94	\$ 8.26	25.28%
10,000	35.20	44.38	\$ 9.18	26.08%
12,000	40.24	51.26	\$ 11.02	27.38%
14,000	45.28	58.13	\$ 12.85	28.38%
16,000	50.32	65.01	\$ 14.69	29.19%
18,000	55.36	71.88	\$ 16.52	29.85%
20,000	60.40	78.76	\$ 18.36	30.40%
25,000	73.00	95.95	\$ 22.95	31.44%
30,000	85.60	113.14	\$ 27.54	32.17%
35,000	98.20	130.33	\$ 32.13	32.72%
40,000	110.80	147.52	\$ 36.72	33.14%
45,000	123.40	164.71	\$ 41.31	33.48%
50,000	136.00	181.90	\$ 45.90	33.75%
60,000	161.20	216.28	\$ 55.08	34.17%
70,000	186.40	250.66	\$ 64.26	34.47%
80,000	211.60	285.04	\$ 73.44	34.71%
90,000	236.80	319.42	\$ 82.62	34.89%
100,000	262.00	353.80	\$ 91.80	35.04%

Present Rates:

Monthly Minimum:	\$	10.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	- \$	2.52
Over	- \$	2.52

Proposed Rates:

Monthly Minimum:	\$	10.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	- \$	3.44
Over	- \$	3.44

Average Usage					
28	\$	10.07	\$	10.10	\$ 0.03 0.25%
Median Usage					
-	\$	10.00	\$	10.00	\$ - 0.00%

Chaparral City Water Company
 Test Year Ended December 31, 2006
 3/4 Inch Residential

Exhibit
 Schedule H-5
 Page 1
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,001	1,000	507	356	396	353	670	867	968	1,052	1,015	968	722	717	8,591	8,591	-
2,001	2,000	529	540	490	477	590	482	438	542	441	536	531	584	6,180	14,771	3,093
3,001	3,000	642	724	789	684	686	525	527	588	541	663	644	683	7,696	22,467	14,641
4,001	4,000	696	824	879	744	663	549	467	584	543	614	642	715	7,920	30,387	34,445
5,001	5,000	697	833	900	762	699	516	501	605	502	672	607	719	8,013	38,400	62,494
6,001	6,000	700	787	742	689	632	519	446	522	518	557	619	629	7,360	45,760	95,618
7,001	7,000	603	642	670	648	577	424	433	474	464	535	554	564	6,588	52,348	131,855
8,001	8,000	525	588	593	551	468	408	396	404	439	478	454	504	5,808	58,156	169,610
9,001	9,000	457	463	449	484	423	368	354	360	403	403	453	404	5,021	63,177	207,270
10,001	10,000	386	423	409	437	362	349	321	314	319	321	377	364	4,369	67,546	244,409
11,001	11,000	410	343	317	412	366	308	289	303	295	301	284	352	3,980	71,526	282,221
12,001	12,000	283	275	284	286	291	284	256	267	277	286	283	294	3,366	74,892	317,566
13,001	13,000	289	215	228	258	244	233	265	242	257	214	279	238	2,962	77,854	351,630
14,001	14,000	220	212	151	221	232	236	232	218	212	192	222	181	2,529	80,383	383,244
15,001	15,000	168	173	147	173	174	201	202	182	219	152	167	169	2,127	82,510	411,959
16,001	16,000	152	119	123	141	153	202	194	150	196	165	149	159	1,903	84,413	439,554
17,001	17,000	119	118	107	114	147	182	196	158	140	139	140	123	1,683	86,096	465,641
18,001	18,000	131	79	94	110	108	149	158	136	136	112	123	96	1,432	87,528	489,270
19,001	19,000	93	69	78	89	98	159	139	106	117	90	112	90	1,240	88,768	510,971
20,001	20,000	83	74	46	76	94	132	101	99	120	92	92	93	1,102	89,870	531,358
21,001	21,000	63	61	44	74	82	108	120	116	103	73	73	66	983	90,853	550,527
22,001	22,000	93	64	76	92	80	136	136	115	117	101	108	78	1,185	92,038	574,820
23,001	23,000	76	61	68	77	79	125	132	81	108	99	84	76	1,066	93,104	597,740
24,001	24,000	67	63	57	69	62	107	108	78	99	76	77	69	932	94,036	618,710
25,001	25,000	29	27	31	44	53	62	69	72	56	37	63	47	590	94,626	632,576
26,001	26,000	34	30	17	37	33	63	84	56	48	39	40	27	508	95,134	645,022
27,001	27,000	33	24	27	38	44	57	76	54	65	50	42	21	531	95,665	658,563
28,001	28,000	23	9	17	24	21	56	61	45	47	38	34	33	408	96,073	669,375
29,001	29,000	31	22	24	22	25	41	51	37	45	37	32	21	388	96,461	680,045
30,001	30,000	15	15	15	18	23	51	51	38	45	30	29	29	362	96,823	690,362
31,001	31,000	18	11	9	17	22	52	50	32	35	25	25	24	320	97,143	699,802
32,001	32,000	19	14	5	16	14	27	42	30	45	24	30	16	282	97,425	708,403
33,001	33,000	17	10	11	19	14	28	42	15	29	22	20	10	238	97,663	715,901
34,001	34,000	12	6	8	13	7	29	31	29	33	23	25	11	246	97,909	723,896
35,001	35,000	12	8	8	10	6	35	40	19	13	6	19	13	192	98,101	730,328
36,001	36,000	7	5	4	6	5	22	32	17	16	16	13	18	178	98,279	736,469
37,001	37,000	9	9	8	2	8	27	27	12	24	13	16	14	153	98,432	741,900
38,001	38,000	6	7	8	9	10	15	21	11	17	6	12	8	152	98,584	747,448
39,001	39,000	12	4	3	10	12	11	14	12	21	7	8	6	119	98,703	751,911
40,001	40,000	6	6	4	5	5	9	22	11	18	9	5	6	123	98,826	756,647
41,001	41,000	11	2	1	7	11	15	17	10	10	8	10	9	106	98,932	760,834
														111	99,043	765,329

Chaparral City Water Company
Test Year Ended December 31, 2006
3/4 Inch Residential

Meter Size:

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	6	1	3	4	7	11	26	9	14	10	13	7	111	99,154	769,936
42,001	43,000	3	1	4	1	6	7	13	10	5	5	8	9	72	99,226	772,996
43,001	44,000	5	-	3	5	4	10	11	9	7	3	8	5	70	99,296	776,041
44,001	45,000	6	4	2	6	3	13	10	3	10	4	9	2	72	99,368	779,245
45,001	46,000	1	2	3	4	5	11	13	6	9	6	5	3	68	99,436	782,339
46,001	47,000	1	1	3	4	3	10	5	9	4	5	5	1	50	99,486	784,664
47,001	48,000	3	2	2	1	2	8	5	6	8	7	6	2	52	99,538	787,134
48,001	49,000	2	2	2	3	2	8	14	5	6	-	4	3	51	99,589	789,607
49,001	50,000	6	2	4	2	2	10	10	3	7	6	4	4	60	99,649	792,578
50,001	51,000	3	3	1	1	1	4	8	6	5	4	1	1	38	99,687	794,497
51,001	52,000	1	2	1	2	2	8	5	3	6	4	2	1	37	99,724	796,402
52,001	53,000	5	1	1	-	3	6	6	2	6	5	3	2	40	99,764	798,502
53,001	54,000	1	1	1	1	1	6	7	6	7	4	2	2	38	99,802	800,535
54,001	55,000	2	2	1	2	1	2	5	5	5	2	2	-	29	99,831	802,116
55,001	56,000	3	1	2	1	1	1	4	3	5	5	4	2	30	99,861	803,781
56,001	57,000	3	-	-	2	2	4	4	3	4	1	2	2	25	99,886	805,193
57,001	58,000	1	1	-	1	1	2	6	3	1	3	4	4	26	99,912	806,688
58,001	59,000	1	2	1	1	2	-	6	1	2	2	-	2	20	99,932	807,858
59,001	60,000	1	-	1	2	1	1	3	2	5	3	-	-	19	99,951	808,989
60,001	61,000	-	1	-	1	1	4	5	-	1	2	2	4	20	99,971	810,199
61,001	62,000	1	1	-	1	-	4	3	5	2	1	3	2	26	99,997	811,798
62,001	63,000	1	-	-	-	-	2	4	3	2	4	2	3	21	100,018	813,110
63,001	64,000	-	-	-	-	-	1	4	1	4	1	4	-	15	100,033	814,063
64,001	65,000	2	-	-	1	2	5	3	5	2	2	2	1	25	100,058	815,675
65,001	66,000	-	1	-	-	1	3	3	4	2	2	1	-	17	100,075	816,789
66,001	67,000	-	2	-	2	1	1	1	3	3	2	1	2	18	100,093	817,986
67,001	68,000	3	1	-	-	1	2	2	3	2	1	1	-	16	100,109	819,066
68,001	69,000	1	-	1	2	2	3	3	2	2	-	2	1	19	100,128	820,367
69,001	70,000	2	2	-	-	-	2	1	3	3	1	1	-	15	100,143	821,410
70,001	71,000	1	-	-	-	1	1	2	1	1	2	-	-	9	100,152	822,044
71,001	72,000	-	-	-	-	-	-	2	-	3	-	3	1	9	100,161	822,688
72,001	73,000	1	-	-	-	3	4	1	-	2	1	1	-	13	100,174	823,630
73,001	74,000	-	-	-	-	1	1	4	1	2	1	-	-	12	100,186	824,512
74,001	75,000	1	2	1	1	1	3	1	-	1	-	1	1	13	100,199	825,481
75,001	76,000	-	-	-	2	-	-	2	-	3	-	2	1	13	100,212	826,462
76,001	77,000	-	-	1	-	-	-	1	-	3	-	1	-	8	100,220	827,074
77,001	78,000	-	-	-	-	-	2	1	-	2	-	1	1	12	100,232	828,004
78,001	79,000	1	-	-	-	-	2	3	1	2	-	1	-	10	100,242	828,789
79,001	80,000	3	-	-	-	-	-	1	-	1	-	-	-	6	100,248	829,266
80,001	81,000	1	-	1	1	1	2	2	-	-	-	-	-	9	100,257	829,991
81,001	82,000	-	2	-	-	1	1	1	-	-	-	-	-	6	100,263	830,480
82,001	83,000	-	-	1	2	1	1	3	-	-	3	-	1	12	100,275	831,470

Chaparral City Water Company
Test Year Ended December 31, 2006
3/4 Inch Residential

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	1	-	-	-	1	-	2	1	5	100,280	831,887
84,001	85,000	-	-	-	-	-	-	2	1	-	-	-	2	5	100,285	832,310
85,001	86,000	-	1	-	-	-	-	1	1	2	-	2	-	7	100,292	832,908
86,001	87,000	-	1	-	-	-	-	-	1	-	-	1	2	5	100,297	833,341
87,001	88,000	-	-	-	-	-	1	1	1	-	-	-	-	3	100,300	833,603
88,001	89,000	-	-	-	-	-	-	-	1	-	-	1	2	4	100,304	833,957
89,001	90,000	-	1	-	-	-	-	-	-	2	-	-	-	3	100,307	834,226
90,001	91,000	-	-	-	-	1	-	1	1	2	-	-	-	5	100,312	834,678
91,001	92,000	-	-	-	-	-	-	1	1	1	-	1	1	5	100,317	835,136
92,001	93,000	-	-	-	-	-	-	-	2	-	1	-	-	4	100,321	835,506
93,001	94,000	-	-	-	-	-	-	-	-	-	1	-	-	2	100,323	835,693
94,001	95,000	-	1	-	-	-	-	-	-	-	-	-	-	2	100,325	835,882
95,001	96,000	-	-	-	-	-	-	3	-	1	-	-	2	6	100,331	836,455
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	100,331	836,455
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	1	100,332	836,552
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	4	100,336	836,946
99,001	100,000	-	-	-	1	-	-	-	-	-	-	2	-	1	100,337	837,046
100,001	101,000	-	-	-	-	-	-	-	-	-	-	-	-	2	100,339	837,280
101,001	102,000	-	-	-	-	-	-	-	-	-	-	-	-	3	100,342	837,643
102,001	103,000	-	-	1	-	-	-	-	-	1	-	-	-	2	100,344	837,889
103,001	104,000	-	-	-	-	-	-	1	-	-	1	-	-	2	100,346	838,147
104,001	105,000	-	-	-	-	-	-	1	1	1	-	-	-	2	100,348	838,349
105,001	106,000	-	-	-	1	-	-	-	-	2	1	-	-	5	100,353	838,869
106,001	107,000	-	-	-	-	-	-	-	-	1	-	-	-	1	100,354	839,069
107,001	108,000	-	-	-	-	-	-	-	-	-	-	-	-	1	100,355	839,187
108,001	109,000	-	-	-	-	-	-	-	-	-	-	-	1	2	100,357	839,391
109,001	110,000	-	-	-	-	-	-	1	-	-	-	-	-	1	100,358	839,576
110,001	111,000	-	-	-	-	-	-	-	1	-	-	-	-	3	100,361	839,918
111,001	112,000	-	-	-	-	-	-	-	-	-	-	-	-	2	100,363	840,144
112,001	113,000	-	-	-	-	-	-	1	1	-	-	-	-	2	100,365	840,432
113,001	114,000	-	-	-	-	-	-	-	-	-	1	-	-	1	100,366	841,173
114,001	115,000	-	-	-	-	-	-	-	-	-	-	-	-	1	100,367	841,328
115,001	116,000	-	-	-	1	-	-	-	1	-	-	-	-	3	100,370	841,700
116,001	117,000	-	-	-	-	-	-	-	-	1	-	-	-	1	100,371	841,886
117,001	118,000	-	-	-	-	-	-	-	1	-	-	-	-	2	100,373	842,126
118,001	119,000	-	-	-	-	-	-	-	-	-	-	-	-	1	100,374	842,234
119,001	120,000	-	-	-	-	-	-	-	-	-	-	-	-	3	100,377	842,543
120,001	121,000	-	-	-	-	-	-	-	-	-	-	-	1	5	100,382	843,103
121,001	122,000	1	-	-	-	-	-	-	-	-	-	-	-	1	100,383	843,208
122,001	123,000	-	-	-	-	-	-	-	-	-	-	-	-	2	100,385	843,440
123,001	124,000	-	-	-	-	-	-	-	-	-	-	-	-	1	100,386	843,546
124,001	125,000	-	-	-	-	-	-	-	-	-	-	-	-	1	100,387	843,673

Chaparral City Water Company
Test Year Ended December 31, 2006
3/4 Inch Residential

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
126,000	126,000	-	-	-	-	1	-	-	-	-	-	-	-	1	100,388	843,799
140,000	140,000	-	-	-	-	-	1	-	-	-	-	-	-	1	100,389	843,939
107,000	107,000	-	1	-	-	-	-	-	1	-	-	-	-	2	100,391	844,153
695,000	695,000	-	-	-	-	-	-	1	-	-	-	-	-	1	100,392	844,848
195,000	195,000	-	-	-	-	-	-	-	-	1	-	-	-	1	100,393	845,043
131,000	131,000	-	-	-	-	-	-	-	-	1	-	-	-	2	100,395	845,305
122,000	122,000	-	-	-	-	-	-	-	-	-	1	-	-	2	100,397	845,549
179,000	179,000	-	-	-	-	-	-	-	1	-	-	1	-	1	100,398	845,728
172,000	172,000	-	-	-	-	1	-	1	-	-	-	-	-	2	100,400	846,072
197,000	197,000	-	-	-	-	-	1	-	-	-	-	-	-	1	100,401	846,269
134,000	134,000	-	-	-	1	-	-	-	-	-	-	-	-	1	100,402	846,403
143,000	143,000	-	-	-	-	-	-	-	-	-	1	-	-	1	100,403	846,546
188,000	188,000	-	-	-	-	-	-	-	-	-	1	-	-	1	100,404	846,734
110,000	110,000	-	-	-	-	-	-	-	-	-	-	1	-	1	100,405	846,844
130,000	130,000	1	-	-	-	-	-	-	-	-	-	-	-	1	100,406	846,974
281,000	281,000	-	-	-	-	-	-	-	-	1	-	-	-	1	100,407	847,255
176,000	176,000	-	-	-	-	-	-	-	-	-	-	-	-	1	100,408	847,431
109,000	109,000	-	-	-	-	-	-	-	-	-	-	-	-	1	100,409	847,540
227,000	227,000	-	-	-	-	-	-	-	-	-	1	-	-	1	100,410	847,767
206,000	206,000	1	-	-	-	-	-	-	-	-	-	-	-	1	100,411	847,973
133,000	133,000	-	-	-	-	-	-	-	-	-	1	-	-	1	100,412	848,106
147,000	147,000	-	-	-	-	-	-	-	-	-	-	-	1	1	100,413	848,253
162,000	162,000	-	-	-	-	-	-	-	-	1	-	-	-	1	100,414	848,415
142,000	142,000	-	-	-	-	-	-	-	-	-	-	1	-	1	100,415	848,557
														-	100,415	848,557

Totals	8,380	8,370	8,383	8,390	8,380	8,364	8,353	8,362	8,350	8,355	8,355	8,373	100,415	Median Billing
													8,450	
													5,500	
													8,368	
													(7)	

Chaparral City Water Company
Test Year Ended December 31, 2006
1 Inch Residential

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	282	261	282	292	306	395	416	466	436	448	438	391	4,413	4,413	-
1,001	2,000	167	193	208	199	237	205	210	239	213	248	217	210	2,570	6,983	1,286
2,001	3,000	213	238	228	196	231	191	174	205	181	245	235	242	2,579	9,562	5,156
3,001	4,000	244	244	266	216	245	175	183	235	219	256	228	253	2,764	12,326	12,067
4,001	5,000	259	326	349	272	269	199	198	215	189	254	220	263	3,013	15,339	22,614
5,001	6,000	271	327	320	263	256	193	187	204	204	227	250	294	2,996	18,335	36,098
6,001	7,000	251	290	296	282	248	213	186	209	188	206	218	264	2,851	21,186	51,780
7,001	8,000	225	232	237	223	205	170	175	200	182	214	215	211	2,489	23,964	69,838
8,001	9,000	223	207	198	219	195	162	144	174	177	184	166	173	2,222	26,453	88,507
9,001	10,000	180	167	162	193	166	156	167	169	153	149	171	163	1,996	28,675	107,395
10,001	11,000	159	164	154	161	167	167	153	160	139	153	174	155	1,906	30,671	126,358
11,001	12,000	128	119	106	114	126	140	129	125	126	120	126	124	1,483	32,577	146,372
12,001	13,000	127	118	105	113	125	139	128	124	125	119	125	123	1,471	34,060	163,427
13,001	14,000	122	89	98	109	110	136	118	88	117	107	108	120	1,322	35,531	181,816
14,001	15,000	93	81	90	106	109	120	107	96	105	97	94	101	1,199	36,853	199,663
15,001	16,000	109	97	106	122	125	136	123	112	121	113	110	117	1,391	38,052	217,049
16,001	17,000	71	59	45	73	57	86	91	72	69	80	79	66	848	39,443	238,611
17,001	18,000	69	41	43	64	58	79	81	72	93	65	70	69	804	40,291	252,603
18,001	19,000	42	43	42	48	41	57	71	64	70	49	53	46	626	41,095	266,673
19,001	20,000	36	38	38	39	38	67	70	41	58	57	55	39	576	42,297	278,255
20,001	21,000	40	26	35	32	44	54	47	47	47	43	40	44	511	42,808	289,487
21,001	22,000	31	29	26	37	36	49	44	50	38	53	32	31	456	43,264	299,963
22,001	23,000	34	26	21	29	28	47	67	43	45	37	49	32	458	43,722	309,767
23,001	24,000	23	19	21	38	31	35	39	41	46	28	27	36	384	44,106	320,072
24,001	25,000	14	15	16	20	27	42	49	44	38	16	27	19	327	44,433	329,096
25,001	26,000	16	13	8	20	16	26	38	30	38	28	24	23	280	44,713	337,108
26,001	27,000	15	11	13	21	21	36	31	26	35	22	21	19	271	44,984	344,248
27,001	28,000	17	15	14	15	10	25	42	21	38	34	29	23	283	45,267	351,430
28,001	29,000	12	12	6	12	8	32	29	19	18	15	22	25	210	45,477	359,212
29,001	30,000	13	9	6	8	14	26	26	23	30	17	16	16	205	45,682	365,198
30,001	31,000	12	7	3	7	7	21	15	19	14	16	16	14	175	45,857	371,245
31,001	32,000	11	7	3	10	12	19	17	19	14	16	16	13	161	46,018	376,583
32,001	33,000	7	2	2	4	5	15	19	24	21	13	11	13	136	46,154	381,654
33,001	34,000	4	7	6	7	10	16	14	12	15	8	14	13	126	46,280	386,074
34,001	35,000	7	8	7	9	10	19	10	10	10	9	11	8	130	46,410	390,295
35,001	36,000	5	2	2	7	3	15	25	5	20	10	5	4	103	46,513	394,780
36,001	37,000	5	4	1	3	3	12	13	10	10	13	9	5	88	46,601	398,437
37,001	38,000	3	4	1	1	10	16	17	16	13	7	8	7	103	46,704	401,649
38,001	39,000	4	-	-	1	4	6	8	4	11	7	5	5	55	46,759	405,512
39,001	40,000	5	4	3	2	2	4	12	6	14	7	9	3	71	46,830	407,629
40,001	41,000	5	3	3	3	5	6	12	4	8	5	3	6	63	46,893	410,434
															46,893	412,985

Chaparral City Water Company
Test Year Ended December 31, 2006
1 Inch Residential

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	1	3	2	3	5	10	8	9	4	8	4	57	46,950	415,351
42,001	43,000	3	1	3	1	2	9	6	3	10	10	5	4	57	47,007	417,773
43,001	44,000	4	2	1	1	5	3	8	4	5	5	3	1	42	47,049	419,600
44,001	45,000	3	3	1	-	1	2	8	10	4	4	6	1	43	47,092	421,514
45,001	46,000	6	2	3	2	1	8	5	4	4	4	5	4	48	47,140	423,698
46,001	47,000	1	1	4	1	2	5	4	5	6	4	3	1	37	47,177	425,418
47,001	48,000	-	1	-	6	4	6	3	3	7	3	4	6	43	47,220	427,461
48,001	49,000	3	1	-	3	2	1	9	3	1	5	2	5	35	47,255	429,158
49,001	50,000	3	2	1	6	2	4	1	5	6	2	4	1	37	47,292	430,990
50,001	51,000	1	1	1	-	3	3	6	1	3	1	7	2	29	47,321	432,454
51,001	52,000	1	-	1	3	4	6	5	1	3	1	1	4	30	47,351	433,999
52,001	53,000	2	-	1	2	2	7	8	5	4	5	2	4	42	47,393	436,204
53,001	54,000	1	1	-	2	3	3	5	2	5	4	3	4	30	47,423	437,810
54,001	55,000	1	-	1	-	1	-	3	3	8	4	3	2	26	47,449	439,227
55,001	56,000	-	1	1	-	1	4	10	2	2	7	1	1	32	47,481	441,003
56,001	57,000	2	-	2	1	-	4	3	2	4	2	3	4	27	47,508	442,528
57,001	58,000	-	1	2	1	1	2	5	1	1	1	1	1	17	47,525	443,506
58,001	59,000	3	1	2	-	2	4	4	-	6	4	4	1	28	47,553	445,144
59,001	60,000	3	2	-	1	1	4	3	2	3	2	1	3	25	47,578	446,631
60,001	61,000	1	2	1	-	1	2	1	3	4	2	2	1	19	47,597	447,781
61,001	62,000	1	-	1	-	1	4	2	2	3	1	2	3	20	47,617	449,011
62,001	63,000	-	-	-	3	3	7	4	4	1	1	-	1	24	47,641	450,511
63,001	64,000	1	-	-	-	-	1	1	3	2	-	1	2	11	47,652	451,209
64,001	65,000	-	2	-	-	-	1	1	3	1	1	-	-	9	47,661	451,790
65,001	66,000	2	-	-	2	2	1	1	2	-	2	2	1	15	47,676	452,772
66,001	67,000	-	-	-	1	1	2	2	1	3	1	-	3	14	47,690	453,703
67,001	68,000	-	-	2	-	-	1	1	-	4	2	1	-	11	47,701	454,446
68,001	69,000	1	1	-	-	1	-	1	1	1	-	3	2	12	47,713	455,268
69,001	70,000	-	1	-	-	-	3	3	1	2	1	-	-	11	47,724	456,032
70,001	71,000	1	1	-	-	-	1	2	1	1	-	-	-	7	47,731	456,526
71,001	72,000	-	1	1	-	3	1	1	1	2	2	1	-	13	47,744	457,455
72,001	73,000	-	-	-	-	-	1	-	-	-	1	-	1	3	47,747	457,673
73,001	74,000	1	2	-	-	-	2	1	1	2	1	1	1	12	47,759	458,555
74,001	75,000	-	-	-	-	2	1	5	1	1	-	2	1	13	47,772	459,523
75,001	76,000	-	-	-	2	-	-	1	2	1	1	-	1	8	47,780	460,127
76,001	77,000	1	-	-	-	1	2	2	-	2	1	1	2	12	47,792	461,045
77,001	78,000	1	-	-	-	1	-	1	1	2	-	1	-	7	47,799	461,588
78,001	79,000	1	-	-	-	-	-	1	-	1	2	3	-	8	47,807	462,216
79,001	80,000	-	-	-	1	1	-	-	-	3	-	-	-	5	47,812	462,613
80,001	81,000	-	-	1	-	-	-	2	1	2	-	-	-	6	47,818	463,096
81,001	82,000	1	-	1	-	-	3	-	-	-	-	-	1	6	47,824	463,585
82,001	83,000	-	-	1	-	-	-	2	-	-	1	-	1	5	47,829	463,998

Chaparral City Water Company
 Test Year Ended December 31, 2006
 1 Inch Residential

Exhibit
 Schedule H-5
 Page 2
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	1	1	-	1	3	47,832	464,248
84,001	85,000	-	3	-	-	-	1	1	1	1	1	-	1	10	47,842	465,093
85,001	86,000	-	-	-	-	-	1	1	2	1	-	-	-	5	47,847	465,521
86,001	87,000	2	-	-	1	-	1	1	2	2	1	-	-	13	47,860	466,645
87,001	88,000	-	-	-	-	-	1	1	1	-	-	2	-	5	47,865	466,883
88,001	89,000	-	-	-	-	-	-	1	1	2	-	-	-	4	47,869	467,437
89,001	90,000	-	-	-	-	-	1	1	1	-	-	-	1	4	47,873	467,795
90,001	91,000	-	-	-	-	-	-	-	-	-	-	1	-	1	47,874	467,885
91,001	92,000	2	-	-	-	-	-	1	-	-	1	1	-	5	47,879	468,343
92,001	93,000	-	-	-	-	-	1	-	1	1	2	1	-	6	47,885	468,898
93,001	94,000	-	-	-	-	-	-	-	1	-	1	-	-	3	47,888	469,178
94,001	95,000	1	-	-	-	-	-	-	2	1	2	-	-	6	47,894	469,745
95,001	96,000	-	-	-	-	-	-	-	1	1	-	-	-	3	47,897	470,032
96,001	97,000	1	-	-	-	-	-	-	-	1	-	-	-	2	47,899	470,225
97,001	98,000	-	-	-	-	-	-	-	1	-	-	-	-	1	47,900	470,322
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47,900	470,322
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	5	47,905	470,820
201,000	201,000	-	-	-	-	-	-	1	-	2	-	3	-	1	47,906	471,021
386,000	386,000	-	-	-	-	-	-	-	1	-	-	-	-	1	47,907	471,407
134,000	134,000	-	-	-	-	-	-	-	-	1	-	-	-	1	47,908	471,541
114,000	114,000	-	-	-	-	-	-	-	-	1	-	-	-	2	47,910	471,769
132,000	132,000	-	-	-	-	-	-	1	-	-	-	-	-	1	47,911	471,901
138,000	138,000	-	-	-	-	-	-	-	-	1	1	-	-	2	47,913	472,177
107,000	107,000	-	-	-	-	-	-	-	-	2	1	-	-	6	47,919	472,819
101,000	101,000	-	-	-	-	-	-	-	-	1	-	1	2	4	47,923	473,223
103,000	103,000	-	-	-	-	-	-	-	2	1	-	-	-	5	47,928	473,738
106,000	106,000	-	-	-	-	-	-	-	3	1	-	1	-	6	47,934	474,374
133,000	133,000	-	-	-	-	-	-	-	2	-	-	-	-	2	47,936	474,640
235,000	235,000	-	1	-	-	-	-	-	-	-	-	-	-	1	47,937	474,875
119,000	119,000	-	-	-	-	-	-	-	-	-	-	-	-	3	47,940	475,232
281,000	281,000	-	-	-	-	1	-	1	-	-	-	-	-	1	47,941	475,513
262,000	262,000	-	-	-	-	-	-	-	1	-	-	-	-	1	47,942	475,775
200,000	200,000	-	-	-	-	1	-	-	-	1	-	-	-	2	47,944	476,175
164,000	164,000	-	-	-	-	-	-	-	-	-	-	1	-	1	47,945	476,339
108,000	108,000	-	-	-	-	-	-	-	1	-	-	-	1	3	47,948	476,663
102,000	102,000	-	-	-	-	-	-	-	-	1	-	2	-	5	47,953	477,173
109,000	109,000	-	-	-	-	1	-	1	-	-	-	1	1	4	47,957	477,609
104,000	104,000	-	-	-	-	1	-	1	-	-	-	-	-	3	47,960	477,921
290,000	290,000	-	-	-	-	-	-	-	-	-	-	-	-	1	47,961	478,211
210,000	210,000	-	-	-	-	-	-	-	1	-	-	-	-	1	47,962	478,421
169,000	169,000	-	-	-	-	-	-	-	-	-	1	-	-	1	47,963	478,590
130,000	130,000	-	-	-	-	-	-	-	-	-	-	1	-	1	47,964	478,720

Chaparral City Water Company
 Test Year Ended December 31, 2006
 1 Inch Residential

Exhibit
 Schedule H-5
 Page 2
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
150,000	150,000	-	-	-	-	-	-	-	-	-	-	-	-	1	47,965	478,870
131,000	131,000	-	-	-	-	-	-	2	-	-	-	-	-	2	47,967	479,132
159,000	159,000	-	-	-	-	-	-	-	-	-	1	-	-	1	47,968	479,291
122,000	122,000	-	-	-	-	-	-	-	-	-	-	1	-	1	47,969	479,413
154,000	154,000	-	-	-	-	-	-	-	-	-	-	-	-	1	47,970	479,567
311,000	311,000	-	-	-	-	-	-	-	1	-	-	-	-	1	47,971	479,878
181,000	181,000	-	-	-	-	-	-	-	-	1	-	-	-	2	47,973	480,240
156,000	156,000	-	-	-	1	-	-	-	-	-	-	-	-	1	47,974	480,396
425,000	425,000	-	-	-	1	-	-	-	-	-	-	-	-	1	47,975	480,821
105,000	105,000	-	-	-	-	-	-	-	1	-	-	-	-	1	47,976	480,926
125,000	125,000	1	-	-	-	-	-	-	-	-	1	-	-	2	47,978	481,176
120,000	120,000	-	-	-	-	-	-	-	-	1	-	-	-	2	47,980	481,416
148,000	148,000	-	-	-	-	-	1	-	-	-	-	-	-	1	47,981	481,564
155,000	155,000	-	-	-	-	-	-	1	-	-	-	-	-	1	47,982	481,719
178,000	178,000	-	-	-	-	-	-	-	-	1	-	-	-	1	47,983	481,897
137,000	137,000	-	-	-	-	-	-	-	-	-	1	-	-	2	47,985	482,171
167,000	167,000	-	-	-	-	-	-	1	-	-	-	-	-	1	47,986	482,338
135,000	135,000	-	-	-	-	-	-	-	-	-	-	-	-	1	47,987	482,473
124,000	124,000	-	-	-	-	-	-	-	-	-	-	-	1	1	47,988	482,597
199,000	199,000	-	-	-	-	-	-	-	-	-	-	-	-	1	47,989	482,796
112,000	112,000	-	-	-	-	-	-	-	-	-	-	1	-	1	47,990	482,908
139,000	139,000	-	-	-	-	-	-	-	-	1	-	-	-	1	47,991	483,047
333,000	333,000	-	-	-	-	-	-	-	-	1	-	-	-	1	47,992	483,380
145,000	145,000	-	-	-	-	-	-	-	-	-	-	-	-	1	47,993	483,525
110,000	110,000	-	-	-	-	1	-	-	-	1	-	-	-	2	47,995	483,745
126,000	126,000	-	-	-	-	-	-	-	-	-	1	-	-	1	47,996	483,871
121,000	121,000	-	-	-	-	-	-	1	-	-	-	-	-	1	47,997	483,992
116,000	116,000	-	-	-	-	-	-	-	-	-	1	-	-	2	47,999	484,224
186,000	186,000	-	-	-	-	-	-	-	-	-	-	-	1	1	48,000	484,410
173,000	173,000	-	-	-	-	1	-	-	-	-	-	-	-	1	48,001	484,583
Totals		3,841	3,860	3,910	3,895	3,940	4,028	4,057	4,064	4,080	4,117	4,091	4,118	48,001	48,001	484,583
														Median	48,001	484,583
														Average Usage	10,095	484,583
														Median Usage	7,500	484,583
														Average # Customers	4,000	484,583
														Change in Number of Customers	277	484,583

Chaparral City Water Company

Test Year Ended December 31, 2006

1 1/2 Inch Residential

Meter Size:

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	-	1	3	2	2	1	1	1	4	2	2	4	1	24	24	-
1,001	1,000	1	-	1	-	-	2	1	-	1	-	-	1	7	31	4
2,001	2,000	-	-	-	-	-	1	1	-	-	-	-	-	4	35	10
3,001	3,000	-	-	-	-	1	-	-	-	-	-	-	-	2	37	15
4,001	4,000	-	-	-	1	2	-	-	-	1	-	-	2	7	44	39
5,001	5,000	1	-	2	-	-	-	1	-	-	-	-	-	4	48	57
6,001	6,000	-	2	-	1	-	-	1	-	1	-	-	-	8	56	101
7,001	7,000	-	1	-	1	-	1	-	-	-	-	-	-	4	60	127
8,001	8,000	-	-	1	-	1	-	-	1	-	-	-	-	6	66	172
9,001	9,000	1	-	-	2	-	-	-	1	1	-	-	2	8	74	240
10,001	10,000	1	1	-	-	-	-	-	-	-	-	-	-	4	78	278
11,001	11,000	1	1	2	-	1	1	-	-	-	-	-	-	9	87	373
12,001	12,000	1	-	-	-	-	-	-	1	2	-	-	-	4	91	419
13,001	13,000	-	1	-	-	-	-	1	-	-	-	-	-	5	96	481
14,001	14,000	-	-	1	1	-	2	1	-	-	-	-	-	9	105	603
15,001	15,000	-	-	-	-	-	-	-	-	1	-	-	-	2	107	632
16,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	1	108	647
17,001	17,000	-	-	1	-	-	-	-	-	-	-	-	-	3	111	697
18,001	18,000	1	-	-	-	-	-	2	-	-	-	-	-	3	114	749
19,001	19,000	-	-	-	-	-	-	-	-	1	-	-	-	3	117	805
20,001	20,000	1	-	-	1	-	-	-	-	-	-	-	-	5	122	902
21,001	21,000	1	-	1	-	-	-	-	-	-	-	-	-	5	127	1,005
22,001	22,000	-	-	-	-	-	-	-	-	1	-	-	-	2	129	1,048
23,001	23,000	-	1	-	-	-	-	-	1	-	-	-	-	3	132	1,115
24,001	24,000	-	2	-	1	1	-	1	-	-	-	-	-	7	139	1,280
25,001	25,000	-	-	1	-	-	-	-	-	1	-	-	-	1	140	1,304
26,001	26,000	-	-	1	-	1	-	-	-	-	-	-	-	5	145	1,432
27,001	27,000	-	-	-	-	1	1	-	-	-	-	-	-	3	148	1,511
28,001	28,000	-	-	-	-	-	1	1	-	-	-	-	-	2	150	1,566
29,001	29,000	-	1	-	-	-	-	-	-	-	-	-	-	1	151	1,595
30,001	30,000	-	2	-	-	-	-	-	-	-	-	-	-	4	155	1,713
31,001	31,000	-	-	-	1	-	-	-	-	-	-	-	-	1	156	1,743
32,001	32,000	-	-	1	1	-	-	-	-	-	-	-	-	4	160	1,869
33,001	33,000	-	-	1	-	2	-	-	-	-	-	-	-	3	163	1,967
34,001	34,000	-	-	-	-	-	1	-	-	1	-	-	-	3	166	2,067
35,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	2	168	2,136
36,001	36,000	-	-	-	-	-	1	-	-	-	-	-	-	2	170	2,207
37,001	37,000	1	-	-	-	-	-	1	2	-	-	-	-	4	174	2,353
38,001	38,000	1	-	-	-	-	-	-	-	-	-	-	-	3	177	2,466
39,001	39,000	1	1	-	-	-	-	-	-	-	-	-	-	2	179	2,543
40,001	40,000	-	-	-	-	1	-	-	-	-	-	-	-	2	181	2,622
41,001	41,000	1	-	-	-	-	1	-	-	-	-	-	-	4	185	2,784

Chaparral City Water Company
 Test Year Ended December 31, 2006
 1 1/2 Inch Residential

Exhibit
 Schedule H-5
 Page 3
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	1	-	-	-	-	-	-	-	1	186	2,825
42,001	43,000	-	-	-	-	-	-	1	-	-	-	-	-	1	187	2,868
43,001	44,000	-	-	-	-	-	1	1	-	-	-	-	-	3	190	2,998
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	190	2,998
45,001	46,000	-	-	-	-	1	1	1	-	-	-	-	-	3	193	3,135
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	1	194	3,181
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	194	3,181
48,001	49,000	-	-	-	1	-	1	-	-	-	-	-	1	4	198	3,375
49,001	50,000	-	-	-	-	1	-	-	-	-	-	-	-	1	199	3,425
50,001	51,000	-	-	-	-	-	1	1	-	-	-	-	-	3	202	3,576
51,001	52,000	-	-	-	1	-	-	-	-	-	-	-	-	2	204	3,679
52,001	53,000	-	-	-	-	-	-	-	-	1	-	-	-	1	205	3,732
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	205	3,732
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	1	206	3,786
55,001	56,000	1	-	-	-	-	-	-	-	-	-	-	-	2	208	3,897
56,001	57,000	2	1	-	1	-	1	-	-	-	-	-	-	5	213	4,180
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	1	214	4,237
58,001	59,000	-	-	-	-	-	1	-	-	-	-	-	-	1	215	4,296
59,001	60,000	-	-	-	-	-	-	-	1	-	-	-	-	1	216	4,355
60,001	61,000	1	-	1	-	-	-	-	-	-	-	-	-	2	218	4,476
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	1	219	4,538
62,001	63,000	-	1	1	-	-	-	-	-	-	-	-	-	6	225	4,913
63,001	64,000	-	-	-	-	1	-	1	-	-	-	-	-	1	226	4,976
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	226	4,976
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	226	4,976
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	226	4,976
67,001	68,000	-	-	-	2	-	-	1	-	-	-	-	-	4	230	5,242
68,001	69,000	-	-	-	-	-	-	-	1	-	-	-	-	1	231	5,310
69,001	70,000	-	-	-	-	-	-	-	-	-	1	-	-	1	232	5,378
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	232	5,378
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	1	233	5,449
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	233	5,449
73,001	74,000	-	1	-	-	-	-	-	-	-	-	-	-	-	233	5,449
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	2	235	5,596
75,001	76,000	-	-	-	-	-	-	1	-	-	-	-	-	2	237	5,745
76,001	77,000	-	-	-	-	-	-	-	1	-	-	-	-	2	239	5,896
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	2	241	6,049
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	1	242	6,126
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	242	6,126
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	1	243	6,207
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	1	244	6,288
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	244	6,288

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Meter Size:

	Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
	83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	244	6,288
	84,001	85,000	-	-	-	-	-	-	-	-	-	-	1	-	1	245	6,373
	85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	6,373
	86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	6,373
	87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	6,373
	88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	6,373
	89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	6,373
	90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	6,373
	91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	6,373
	92,001	93,000	-	-	-	1	-	-	-	-	-	-	-	-	1	246	6,465
	93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	1	1	247	6,559
	94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	247	6,559
	95,001	96,000	1	-	1	1	-	1	-	-	-	-	-	-	6	253	7,132
	96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	253	7,132
	97,001	98,000	-	-	1	-	-	-	-	-	-	-	-	-	1	254	7,229
	98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	254	7,229
	99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	254	7,229
	101,000	102,000	-	-	-	-	-	-	-	-	-	-	-	-	-	255	7,380
	103,000	104,000	-	-	-	-	-	-	-	-	-	-	-	-	1	256	7,493
	105,000	106,000	-	-	-	-	-	-	-	-	-	-	-	-	1	257	7,664
Totals			20	20	21	21	21	21	22	23	22	22	22	22	257	Median Billing	
											Average Usage				29,821		
											Median Usage				21,500		
											Average # Customers				21		
											Change in Number of Customers				2		

Chaparral City Water Company
 Test Year Ended December 31, 2006
 2 Inch Residential

Exhibit
 Schedule H-5
 Page 4
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	1	1	1	1	1	1	1	1	1	2	1	1	9	9	1
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	1	10	1
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	1
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	1
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	1
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	1
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	1
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	14
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	14
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	42
10,001	11,000	1	1	1	1	1	1	1	1	1	3	1	1	6	21	105
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	1	22	117
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	5	27	179
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	1	28	193
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	3	31	236
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	5	36	314
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	6	42	413
17,001	18,000	1	1	1	1	1	1	1	1	1	1	1	1	5	47	500
18,001	19,000	2	1	-	-	-	-	-	-	-	-	-	-	10	57	685
19,001	20,000	1	1	1	1	1	1	1	1	1	1	1	1	7	64	822
20,001	21,000	1	-	-	-	-	-	-	-	-	-	-	-	10	74	1,027
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	5	79	1,134
22,001	23,000	3	2	-	-	-	-	-	-	-	-	-	-	11	90	1,382
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	8	98	1,570
24,001	25,000	1	1	1	1	1	1	1	1	1	1	1	1	2	100	1,619
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	5	105	1,746
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	6	111	1,905
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	7	118	2,098
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	8	126	2,326
29,001	30,000	1	1	1	1	1	1	1	1	1	1	1	1	9	135	2,591
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	2	137	2,652
31,001	32,000	2	-	-	-	-	-	-	-	-	-	-	-	3	140	2,747
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	5	145	2,909
33,001	34,000	1	-	-	-	-	-	-	-	-	-	-	-	1	146	2,943
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	5	151	3,115
35,001	36,000	1	1	1	1	1	1	1	1	1	1	1	1	6	157	3,328
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	4	161	3,474
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	5	166	3,662
38,001	39,000	1	-	-	-	-	-	-	-	-	-	-	-	5	171	3,854
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	6	177	4,091
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	7	184	4,375

Chaparral City Water Company
Test Year Ended December 31, 2006
2 Inch Residential

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	2	-	-	-	-	-	-	1	3	187	4,499
42,001	43,000	-	-	1	-	1	-	1	-	-	1	-	-	6	193	4,754
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	1	1	194	4,798
44,001	45,000	-	-	-	1	-	-	-	-	-	-	-	-	1	195	4,842
45,001	46,000	1	1	-	-	-	-	-	-	-	-	1	-	4	199	5,024
46,001	47,000	-	-	-	1	-	-	-	1	-	2	-	-	3	202	5,164
47,001	48,000	1	-	-	2	-	-	-	1	-	-	1	-	6	208	5,449
48,001	49,000	-	1	-	-	-	-	-	2	-	-	-	2	7	215	5,788
49,001	50,000	1	-	-	-	-	1	2	-	1	-	-	1	8	223	6,184
50,001	51,000	1	-	2	1	1	-	-	-	-	1	-	-	6	229	6,487
51,001	52,000	-	-	-	-	1	2	-	-	-	2	-	-	6	235	6,796
52,001	53,000	-	-	-	2	1	-	-	-	-	-	-	1	5	240	7,059
53,001	54,000	-	1	-	-	-	-	-	-	-	-	-	-	1	241	7,112
54,001	55,000	-	-	-	-	-	1	-	-	1	-	-	-	4	245	7,330
55,001	56,000	-	1	-	-	-	-	-	-	-	-	-	-	2	247	7,441
56,001	57,000	-	1	-	-	-	1	-	-	-	-	-	-	3	250	7,611
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	4	254	7,841
58,001	59,000	1	-	-	1	1	-	1	-	-	-	2	-	6	260	8,192
59,001	60,000	1	1	-	-	-	1	-	-	1	-	-	-	5	265	8,489
60,001	61,000	-	-	-	-	-	-	-	-	1	-	1	-	2	267	8,610
61,001	62,000	-	-	-	-	-	-	-	-	1	-	-	-	2	269	8,733
62,001	63,000	-	1	-	-	-	-	-	-	-	-	-	-	1	270	8,796
63,001	64,000	-	-	-	-	-	1	-	-	-	1	-	-	2	272	8,923
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	1	273	8,987
65,001	66,000	-	-	-	-	-	-	-	-	1	-	-	-	5	278	9,315
66,001	67,000	-	-	1	-	-	-	-	-	1	-	1	-	2	280	9,448
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	2	282	9,583
68,001	69,000	-	-	-	-	-	1	-	-	-	-	1	-	5	287	9,925
69,001	70,000	-	3	-	-	-	1	-	-	-	-	-	-	2	289	10,064
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	1	290	10,135
71,001	72,000	1	1	1	2	1	1	1	1	1	1	-	-	13	303	11,064
72,001	73,000	-	-	-	1	-	-	-	-	-	-	-	-	1	304	11,137
73,001	74,000	-	-	-	-	1	-	-	-	-	1	-	-	3	307	11,357
74,001	75,000	-	-	-	-	1	1	-	-	1	-	1	-	4	311	11,655
75,001	76,000	-	-	-	-	-	-	-	-	1	-	-	-	3	314	11,882
76,001	77,000	1	-	-	-	-	-	-	1	-	-	-	-	3	317	12,111
77,001	78,000	-	-	-	1	-	-	-	-	-	-	-	-	1	318	12,189
78,001	79,000	-	-	-	-	-	-	-	-	1	-	-	-	2	320	12,346
79,001	80,000	-	-	-	-	-	-	-	-	1	-	-	-	3	323	12,584
80,001	81,000	-	1	-	-	-	-	-	-	-	-	-	-	2	325	12,745
81,001	82,000	-	-	-	-	-	1	-	-	-	-	-	-	2	327	12,908
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	327	12,908

Chaparral City Water Company
Test Year Ended December 31, 2006

Meter Size:
2 Inch Residential

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	1	-	-	-	-	-	-	1	-	-	-	2	329	13,075
84,001	85,000	-	-	-	-	-	-	-	-	2	-	-	-	2	331	13,244
85,001	86,000	1	-	-	-	-	-	-	-	-	-	-	-	1	332	13,330
86,001	87,000	-	-	-	1	-	-	-	-	-	-	-	-	1	333	13,416
87,001	88,000	-	-	-	-	-	-	-	-	1	-	-	-	1	334	13,504
88,001	89,000	-	-	-	1	-	-	-	-	-	-	-	1	2	336	13,681
89,001	90,000	1	-	-	-	-	1	-	-	-	-	-	-	4	340	14,039
90,001	91,000	-	-	-	-	-	-	1	-	-	-	-	-	-	340	14,039
91,001	92,000	-	-	-	-	-	-	1	-	-	-	-	-	1	341	14,130
92,001	93,000	-	-	1	-	-	-	-	-	-	-	-	-	3	344	14,408
93,001	94,000	-	1	-	-	-	-	-	-	-	-	-	-	2	346	14,595
94,001	95,000	1	-	-	-	-	-	-	1	-	-	-	-	2	348	14,784
95,001	96,000	-	-	-	-	-	-	1	-	-	-	-	-	3	351	15,070
96,001	97,000	-	1	-	-	-	-	-	-	-	-	-	-	1	352	15,167
97,001	98,000	-	-	-	-	-	1	-	-	-	-	-	-	3	355	15,459
98,001	99,000	1	-	-	-	-	-	-	-	-	-	-	-	2	357	15,656
99,001	100,000	-	-	-	-	-	-	-	1	-	-	-	-	3	360	15,955
311,000	311,000	1	-	-	-	-	-	-	-	-	-	-	-	1	361	16,266
212,000	212,000	-	1	-	-	-	-	-	-	-	-	-	-	1	362	16,478
110,000	110,000	-	-	1	-	-	-	-	-	-	-	-	-	1	363	16,588
144,000	144,000	-	-	-	1	-	-	-	-	1	-	-	-	2	365	16,876
132,000	132,000	-	-	-	-	1	-	-	-	-	-	-	-	2	367	17,140
150,000	150,000	-	-	-	-	-	1	-	-	-	-	-	-	2	368	17,290
184,000	184,000	-	-	-	-	-	-	1	-	1	-	-	-	3	371	17,842
113,000	113,000	-	-	-	-	-	-	-	1	1	-	-	-	3	374	18,181
138,000	138,000	-	-	-	-	-	-	-	-	-	1	-	-	2	376	18,457
108,000	108,000	2	-	-	-	-	-	-	-	-	-	1	-	2	378	18,673
158,000	158,000	-	-	-	-	1	-	-	-	1	-	-	-	2	380	18,989
154,000	154,000	-	-	-	-	-	1	-	-	-	-	-	-	1	381	19,143
116,000	116,000	-	-	-	-	-	-	1	-	-	-	-	-	3	384	19,491
228,000	228,000	-	-	-	-	-	-	-	1	-	-	-	-	2	386	19,947
120,000	120,000	1	-	-	-	-	-	-	-	-	1	-	-	3	389	20,307
111,000	111,000	-	1	-	-	-	-	-	-	-	-	-	-	2	391	20,529
118,000	118,000	-	-	1	-	-	-	-	-	-	-	-	-	1	392	20,647
196,000	196,000	-	-	-	1	-	-	-	-	-	-	-	-	1	393	20,843
165,000	165,000	-	-	-	-	1	-	-	-	-	-	-	-	1	394	21,008
207,000	207,000	-	-	-	-	-	1	-	-	-	-	-	-	1	395	21,215
203,000	203,000	-	1	-	-	-	-	1	-	-	-	-	-	2	397	21,621
133,000	133,000	-	-	-	-	-	1	-	-	-	-	-	-	2	399	21,887
134,000	134,000	-	-	-	-	-	-	-	-	1	-	-	-	2	401	22,155
105,000	105,000	-	-	-	1	-	-	-	-	-	-	-	-	1	402	22,260
215,000	215,000	-	-	-	-	1	-	-	-	-	-	-	-	2	404	22,690

Chaparral City Water Company
Test Year Ended December 31, 2006
2 Inch Residential

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
135,000	135,000	-	-	-	-	-	1	1	-	1	-	-	-	3	407	23,095
287,000	287,000	-	-	-	-	-	-	1	-	-	-	-	-	1	408	23,382
176,000	176,000	-	-	-	-	-	-	-	1	-	-	-	-	1	409	23,558
143,000	143,000	-	-	-	-	-	-	-	-	-	-	1	-	1	410	23,701
137,000	137,000	-	-	-	1	-	-	-	-	1	-	-	-	2	412	23,975
156,000	156,000	-	-	-	-	1	-	-	-	-	-	-	-	1	413	24,131
186,000	186,000	-	-	-	-	-	1	-	-	-	-	-	1	2	415	24,503
232,000	232,000	-	-	-	-	-	-	1	-	-	-	-	-	1	416	24,735
262,000	262,000	-	-	-	-	-	-	-	-	-	-	-	-	1	417	24,997
155,000	155,000	-	-	-	-	-	-	-	-	-	-	-	-	1	418	25,152
117,000	117,000	-	-	-	-	-	-	2	-	-	-	-	-	2	420	25,386
119,000	119,000	-	-	-	-	-	-	-	-	-	1	-	-	1	421	25,505
206,000	206,000	1	-	-	-	-	-	-	-	-	-	-	-	1	422	25,711
183,000	183,000	-	-	1	-	-	-	-	-	-	-	-	-	2	424	26,077
248,000	248,000	-	-	-	-	1	-	-	-	-	-	-	-	1	425	26,325
267,000	267,000	-	-	-	-	-	1	-	-	-	-	-	-	1	426	26,592
309,000	309,000	-	-	-	-	-	-	1	-	-	-	-	-	1	427	26,901
129,000	129,000	-	1	-	-	-	-	-	1	-	-	-	-	2	429	27,159
430,000	430,000	-	-	-	-	-	-	-	-	1	-	-	-	1	430	27,589
458,000	458,000	-	-	-	-	-	-	-	-	-	-	1	-	1	431	28,047
121,000	121,000	-	-	-	-	-	1	-	1	2	-	-	-	4	435	28,531
140,000	140,000	-	-	-	-	-	-	1	-	-	-	1	-	2	437	28,811
292,000	292,000	-	-	-	-	-	-	-	1	-	-	-	-	1	438	29,103
193,000	193,000	1	-	-	-	-	-	-	-	-	-	-	-	1	439	29,296
130,000	130,000	1	-	-	-	-	1	-	-	-	-	-	-	2	441	29,566
173,000	173,000	1	-	-	-	-	-	-	-	-	-	-	-	1	442	29,729
145,000	145,000	1	-	-	1	-	-	-	-	-	-	-	-	2	444	30,019
178,000	178,000	-	-	-	-	1	-	-	-	-	-	-	-	2	446	30,375
157,000	157,000	-	-	-	-	-	1	-	-	-	-	-	-	1	447	30,532
397,000	397,000	-	-	-	-	-	-	1	-	-	-	-	-	1	448	30,929
349,000	349,000	-	-	-	-	-	-	-	1	-	-	-	-	1	449	31,278
328,000	328,000	-	-	-	-	-	-	-	-	-	-	-	-	1	450	31,606
146,000	146,000	-	-	-	-	-	-	-	-	1	-	-	-	1	451	31,752
139,000	139,000	-	-	-	-	-	-	-	-	-	-	1	-	1	452	31,970
102,000	102,000	-	-	-	1	-	-	-	-	-	-	-	-	1	453	32,109
106,000	106,000	-	-	-	-	-	-	-	-	-	-	-	-	2	455	32,313
223,000	223,000	-	-	-	-	-	-	-	1	-	-	-	-	1	456	32,419
109,000	109,000	-	-	-	-	-	-	-	-	-	-	-	1	1	457	32,642
160,000	160,000	-	-	-	-	1	-	-	-	-	-	-	-	1	458	32,751
148,000	148,000	-	-	-	-	-	-	-	-	-	-	-	-	1	459	32,911
126,000	126,000	-	-	-	1	-	-	-	-	-	-	-	-	1	460	33,059
		-	-	-	-	-	-	-	-	-	-	-	-	1	461	33,185

Chaparral City Water Company
Test Year Ended December 31, 2006
2 Inch Residential

Meter Size:

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
221,000	221,000	-	-	-	-	-	-	-	-	-	-	1	-	1	462	33,406
166,000	166,000	-	-	-	-	-	-	-	-	-	-	-	1	1	463	33,572
112,000	112,000	-	-	1	-	-	-	-	-	-	-	-	-	1	464	33,684
103,000	103,000	-	-	-	1	-	-	-	-	-	-	-	-	1	465	33,787
101,000	101,000	-	-	-	-	1	-	-	-	-	-	-	-	1	466	33,888
168,000	168,000	-	-	-	-	-	-	-	-	-	-	1	-	1	467	34,056
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	467	34,056
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	467	34,056
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	467	34,056
Totals		38	39	39	39	39	39	39	39	39	39	39	39	467	Median Billing	34,056
														72,924		
														51,500		
														39		
														1		

Chaparral City Water Company
Test Year Ended December 31, 2006
3 Inch Residential

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	-	-	-	-	-	-	-	-	-	-	1	-	1	1	1
1,001	2,000	-	-	-	-	-	-	-	-	-	1	-	-	1	2	2
2,001	3,000	-	-	-	-	-	-	-	-	1	-	-	-	2	4	4
3,001	4,000	-	-	-	-	-	1	-	-	-	-	-	-	1	5	6
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	1	1	6	10
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	10
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	10
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	10
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	10
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	10
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	10
11,001	12,000	1	-	-	-	-	-	-	-	-	-	-	-	1	7	21
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21

Chaparral City Water Company
Test Year Ended December 31, 2006
3 Inch Residential

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	21
53,001	54,000	-	1	-	-	-	-	-	-	-	-	-	-	1	8	75
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	8	75
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	8	75
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	8	75
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	8	75
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	8	75
59,001	60,000	-	-	1	-	-	-	-	-	-	-	-	-	1	9	134
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	134
61,001	62,000	1	-	-	-	-	-	-	-	-	-	-	-	1	10	196
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	196
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	196
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	196
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	196
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	196
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	196
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	1	1	11	264
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	264
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	264
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	264
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	264
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	264
74,001	75,000	1	1	-	-	-	-	-	-	-	-	-	-	2	13	413
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	413
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	490
77,001	78,000	-	-	-	-	-	-	-	1	-	-	-	-	1	14	490
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	568
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	568
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	568
81,001	82,000	-	-	-	1	-	-	-	-	-	-	-	-	1	16	650
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	16	650

Chaparral City Water Company
 Test Year Ended December 31, 2006
 3 Inch Residential

Exhibit
 Schedule H-5
 Page 5
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	1	-	16	650
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	1	-	17	734
85,001	86,000	-	-	-	-	-	-	1	-	-	-	-	-	1	18	820
86,001	87,000	-	-	-	-	2	-	-	-	-	-	-	-	2	20	993
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	993
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	993
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	993
90,001	91,000	-	-	-	-	-	-	1	-	-	-	-	-	2	22	1,174
91,001	92,000	-	1	-	-	-	-	-	-	-	-	-	-	1	23	1,265
92,001	93,000	-	-	-	1	-	-	-	-	-	-	-	-	1	24	1,358
93,001	94,000	-	-	-	-	-	-	-	1	-	-	-	-	1	25	1,451
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
100,001	101,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
101,001	102,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
102,001	103,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
103,001	104,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
104,001	105,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
105,001	106,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
106,001	107,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
107,001	108,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
108,001	109,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
109,001	110,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
110,001	111,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
111,001	112,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
112,001	113,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
113,001	114,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
114,001	115,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
115,001	116,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
116,001	117,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
117,001	118,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
118,001	119,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
119,001	120,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
120,001	121,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
121,001	122,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
122,001	123,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
123,001	124,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
124,001	125,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
125,001	126,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
126,001	127,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
127,001	128,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
128,001	129,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
129,001	130,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
130,001	131,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
131,001	132,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
132,001	133,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
133,001	134,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
134,001	135,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
135,001	136,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
136,001	137,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
137,001	138,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
138,001	139,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
139,001	140,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
140,001	141,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
141,001	142,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
142,001	143,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
143,001	144,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
144,001	145,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
145,001	146,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
146,001	147,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
147,001	148,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
148,001	149,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
149,001	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
150,001	151,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
151,001	152,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
152,001	153,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
153,001	154,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
154,001	155,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
155,001	156,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
156,001	157,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
157,001	158,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
158,001	159,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
159,001	160,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
160,001	161,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
161,001	162,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
162,001	163,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
163,001	164,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
164,001	165,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
165,001	166,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
166,001	167,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
167,001	168,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
168,001	169,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
169,001	170,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
170,001	171,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
171,001	172,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
172,001	173,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
173,001	174,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
174,001	175,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
175,001	176,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
176,001	177,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
177,001	178,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
178,001	179,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
179,001	180,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
180,001	181,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
181,001	182,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
182,001	183,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
183,001	184,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
184,001	185,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
185,001	186,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
186,001	187,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
187,001	188,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
188,001	189,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
189,001	190,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1,451
190,001	191,000	-	-	-	-											

Chaparral City Water Company
Test Year Ended December 31, 2006
3/4 Commercial

Exhibit
Schedule H-5
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Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	12	13	15	16	13	10	12	17	19	16	15	17	175	175	-
1,001	2,000	14	9	7	10	18	11	16	12	12	14	12	16	151	326	76
2,001	3,000	11	17	12	8	7	12	7	8	7	14	10	9	122	448	259
3,001	4,000	12	7	15	11	7	9	7	5	10	6	8	15	112	560	539
4,001	5,000	6	10	7	10	6	7	4	9	7	8	8	3	85	645	836
5,001	6,000	9	9	6	6	8	7	4	10	5	9	8	8	89	734	1,237
6,001	7,000	4	4	6	5	11	8	11	7	9	4	7	6	82	816	1,688
7,001	8,000	5	4	5	3	6	6	5	5	2	3	6	4	54	870	2,039
8,001	9,000	2	7	2	7	3	5	6	5	4	2	1	3	47	917	2,391
9,001	10,000	2	4	7	3	4	3	4	2	2	6	3	2	42	959	2,748
10,001	11,000	2	1	3	1	4	2	3	-	4	2	1	3	26	985	2,995
11,001	12,000	2	4	3	5	1	1	2	1	2	1	1	3	26	1,011	3,268
12,001	13,000	2	1	-	2	1	3	2	4	1	2	5	2	25	1,036	3,556
13,001	14,000	2	2	2	2	2	2	2	2	2	2	2	2	24	1,060	3,856
14,001	15,000	3	2	-	1	1	2	-	-	-	1	2	1	13	1,073	4,031
15,001	16,000	1	1	3	3	-	1	2	1	2	-	1	-	15	1,088	4,249
16,001	17,000	2	-	-	2	-	1	1	3	-	2	-	-	11	1,099	4,419
17,001	18,000	-	2	3	1	3	2	2	2	1	3	-	-	19	1,118	4,733
18,001	19,000	1	1	1	2	2	1	-	-	1	1	3	1	14	1,132	4,978
19,001	20,000	-	2	2	-	1	2	-	1	3	1	1	1	14	1,146	5,237
20,001	21,000	3	1	2	2	3	-	-	2	1	-	1	-	15	1,161	5,529
21,001	22,000	1	2	-	1	2	2	4	-	1	-	1	1	13	1,174	5,796
22,001	23,000	2	-	-	-	1	-	-	-	-	2	1	1	7	1,181	5,947
23,001	24,000	2	1	1	2	-	-	-	1	1	1	-	1	10	1,191	6,172
24,001	25,000	3	-	1	1	-	3	1	1	1	1	2	1	15	1,206	6,524
25,001	26,000	1	-	1	1	-	-	1	1	1	1	-	3	10	1,216	6,769
26,001	27,000	-	-	-	-	-	1	1	-	-	-	1	-	3	1,219	6,846
27,001	28,000	1	1	1	-	1	-	-	-	1	-	1	-	6	1,225	7,005
28,001	29,000	1	-	-	1	-	-	1	-	-	-	1	1	5	1,230	7,142
29,001	30,000	-	1	1	-	1	-	-	-	-	-	1	2	5	1,235	7,285
30,001	31,000	-	2	3	-	1	-	1	2	1	-	1	1	9	1,244	7,550
31,001	32,000	-	-	-	-	-	1	1	-	-	1	-	-	9	1,253	7,825
32,001	33,000	-	-	-	1	-	-	-	1	-	-	-	-	2	1,255	7,888
33,001	34,000	-	1	-	-	-	-	-	-	1	-	-	-	2	1,257	7,953
34,001	35,000	-	-	-	-	1	-	1	-	-	1	-	-	3	1,260	8,053
35,001	36,000	1	1	-	-	1	1	-	1	-	-	-	2	7	1,267	8,295
36,001	37,000	-	-	-	1	-	-	-	-	-	2	1	1	6	1,273	8,508
37,001	38,000	-	-	-	-	-	-	-	-	1	1	-	-	2	1,275	8,581
38,001	39,000	1	-	-	-	-	-	-	-	1	-	1	-	3	1,278	8,693
39,001	40,000	1	-	-	-	1	-	-	-	1	-	-	2	5	1,283	8,886
40,001	41,000	-	1	-	2	-	1	1	2	-	-	-	-	5	1,288	9,083
		1	1	-	-	-	-	1	1	1	-	2	-	8	1,296	9,407

Chaparral City Water Company
 Test Year Ended December 31, 2006
 3/4 Commercial

Exhibit
 Schedule H-5
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 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	1	-	-	-	2	1	-	-	-	1	-	5	1,301	9,615
42,001	43,000	1	-	-	-	-	-	1	-	-	1	-	-	5	1,306	9,827
43,001	44,000	-	-	-	-	-	1	-	1	-	-	-	-	3	1,309	9,958
44,001	45,000	-	1	-	-	-	2	1	-	-	-	-	-	5	1,314	10,180
45,001	46,000	-	-	-	-	1	-	1	-	-	-	2	-	4	1,318	10,362
46,001	47,000	-	1	-	-	-	-	-	2	-	-	1	-	4	1,322	10,548
47,001	48,000	-	-	-	1	-	-	-	-	-	1	-	-	2	1,324	10,643
48,001	49,000	1	-	-	-	-	-	-	-	-	1	-	-	2	1,326	10,740
49,001	50,000	-	-	1	-	-	-	1	-	-	-	-	-	3	1,329	10,889
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,330	10,939
51,001	52,000	-	-	-	-	-	-	-	2	-	-	-	-	3	1,333	11,094
52,001	53,000	-	-	-	-	-	-	-	1	1	-	-	-	2	1,335	11,199
53,001	54,000	1	-	1	-	-	-	-	1	1	-	-	-	5	1,340	11,466
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,340	11,466
55,001	56,000	-	-	-	-	1	-	-	-	-	1	-	1	3	1,343	11,633
56,001	57,000	-	-	-	-	-	-	-	2	-	-	-	-	3	1,346	11,802
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,346	11,802
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	2	1,348	11,919
59,001	60,000	-	-	-	1	-	-	-	-	-	1	-	-	3	1,351	12,098
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	2	1,353	12,219
61,001	62,000	-	-	-	-	-	-	1	-	-	-	1	-	2	1,355	12,342
62,001	63,000	1	-	-	-	-	-	-	-	-	-	-	-	2	1,356	12,404
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,356	12,404
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,356	12,404
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	3	1,359	12,598
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,359	12,598
67,001	68,000	-	-	-	1	-	-	-	-	-	-	-	-	1	1,360	12,664
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,361	12,732
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,361	12,732
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,362	12,801
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,363	12,872
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,364	12,943
73,001	74,000	1	-	-	-	-	-	-	-	-	-	-	-	-	1,364	12,943
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,365	13,017
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,365	13,017
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,365	13,017
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,365	13,017
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,365	13,017
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,365	13,017
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,365	13,017
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,365	13,017
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,365	13,017

Exhibit
Schedule H-5
Page 6
Witness: Bourassa

Meter Size:

[illegible]

Chaparral City Water Company
 Test Year Ended December 31, 2006
 1 Inch Commercial

Exhibit
 Schedule H-5
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 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	11	9	10	14	12	16	12	14	11	12	17	14	152	152	-
1,001	1,000	11	12	4	8	12	5	8	10	15	11	8	13	117	269	59
2,001	2,000	9	11	15	8	9	8	8	11	7	8	11	5	110	379	224
3,001	3,000	7	7	14	10	4	7	9	8	6	8	11	12	103	482	481
4,001	4,000	9	11	6	4	10	3	3	5	5	6	6	8	76	558	747
5,001	5,000	5	4	5	7	2	6	3	5	7	10	10	10	74	632	1,080
6,001	6,000	5	5	1	7	3	5	8	4	4	4	2	10	61	693	1,416
7,001	7,000	4	7	8	3	7	4	4	2	6	10	5	3	59	752	1,799
8,001	8,000	2	1	2	1	2	3	6	3	3	4	4	4	54	806	2,204
9,001	9,000	1	3	2	4	4	3	2	3	2	3	2	3	35	841	2,502
10,001	10,000	3	-	3	-	2	4	3	3	2	3	1	-	32	873	2,806
11,001	11,000	3	3	1	1	-	2	3	3	2	2	1	-	24	897	3,058
12,001	12,000	1	3	2	5	3	2	3	-	-	2	-	-	15	912	3,230
13,001	13,000	3	2	2	2	3	2	3	-	-	1	-	2	23	935	3,518
14,001	14,000	-	2	1	-	-	-	2	4	-	1	3	1	14	949	3,707
15,001	15,000	1	1	2	-	2	-	1	2	3	1	2	-	15	964	3,924
16,001	16,000	-	2	1	4	4	-	1	1	1	2	2	1	21	985	4,250
17,001	17,000	3	1	2	1	1	-	-	1	1	1	1	1	13	998	4,464
18,001	18,000	6	4	4	3	5	6	4	3	3	3	5	4	50	1,048	5,339
19,001	19,000	-	1	1	4	1	-	2	1	-	-	1	1	12	1,060	5,561
20,001	20,000	2	-	1	-	-	-	1	-	2	1	2	1	10	1,070	5,756
21,001	21,000	2	1	1	3	2	1	1	1	2	-	-	-	14	1,084	6,043
22,001	22,000	1	1	-	-	2	3	2	-	2	1	1	-	13	1,097	6,323
23,001	23,000	1	-	1	1	-	3	-	-	1	-	1	-	8	1,105	6,503
24,001	24,000	-	1	2	1	1	-	-	1	1	-	-	-	7	1,112	6,667
25,001	25,000	-	2	2	-	1	-	-	3	-	-	-	-	9	1,121	6,888
26,001	26,000	1	2	-	-	-	-	-	2	-	1	-	1	7	1,128	7,066
27,001	27,000	-	1	-	1	1	-	-	-	-	1	1	1	9	1,137	7,305
28,001	28,000	1	-	-	-	2	1	-	-	-	1	-	-	5	1,142	7,442
29,001	29,000	1	1	2	2	-	-	1	-	-	1	-	-	8	1,150	7,670
30,001	30,000	-	1	2	-	1	2	3	2	1	2	1	-	15	1,165	8,113
31,001	31,000	-	-	1	-	-	2	-	1	-	-	-	-	5	1,170	8,266
32,001	32,000	1	1	-	-	-	1	-	-	1	-	-	-	5	1,175	8,423
33,001	33,000	1	-	-	1	1	-	2	-	2	1	1	-	9	1,184	8,716
34,001	34,000	1	2	1	-	-	-	1	-	1	2	-	1	9	1,193	9,017
35,001	35,000	-	1	1	1	2	-	1	1	-	1	-	-	8	1,201	9,293
36,001	36,000	1	-	1	1	-	-	-	-	1	-	-	1	5	1,206	9,471
37,001	37,000	-	1	-	-	-	-	-	-	-	1	1	-	3	1,209	9,580
38,001	38,000	-	1	-	1	1	1	-	1	-	-	-	-	5	1,214	9,768
39,001	39,000	2	-	-	1	-	1	1	-	-	-	1	1	7	1,221	10,037
40,001	40,000	1	-	1	1	2	1	-	-	-	-	-	1	6	1,227	10,274
41,001	41,000	-	-	-	-	-	-	-	-	-	-	2	-	3	1,230	10,396

Chaparral City Water Company
Test Year Ended December 31, 2006
1 Inch Commercial

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	1	-	2	-	-	-	2	1	1	1	-	9	1,239	10,769
42,001	43,000	-	-	-	-	-	1	1	-	-	-	-	-	1	1,240	10,812
43,001	44,000	-	-	1	-	-	-	-	-	-	-	-	-	3	1,243	10,942
44,001	45,000	1	-	-	-	-	1	-	-	1	-	-	-	4	1,247	11,120
45,001	46,000	2	-	-	-	-	-	-	-	-	-	-	-	4	1,251	11,302
46,001	47,000	-	-	-	1	-	-	-	1	-	-	-	-	3	1,254	11,442
47,001	48,000	1	-	-	-	-	-	-	1	2	-	-	-	5	1,259	11,679
48,001	49,000	1	-	-	-	-	-	-	-	-	-	-	1	2	1,261	11,776
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,262	11,826
50,001	51,000	-	-	-	-	-	-	1	2	-	-	-	-	3	1,265	11,977
51,001	52,000	-	1	-	-	1	-	-	-	-	-	-	-	4	1,269	12,183
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,269	12,183
53,001	54,000	-	-	-	-	-	-	-	-	1	-	-	-	3	1,272	12,344
54,001	55,000	2	1	-	-	-	-	-	-	-	-	-	-	3	1,275	12,507
55,001	56,000	-	-	-	-	-	-	-	-	1	-	-	-	3	1,278	12,674
56,001	57,000	-	-	-	-	-	-	1	-	-	-	-	-	-	1,278	12,674
57,001	58,000	-	-	1	-	-	-	-	-	-	-	-	-	1	1,279	12,731
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	2	1,281	12,848
59,001	60,000	-	-	-	1	-	-	-	-	-	1	-	-	1	1,282	12,908
60,001	61,000	-	-	-	-	1	-	-	-	-	-	-	-	4	1,286	13,150
61,001	62,000	-	-	1	-	-	-	1	-	-	-	-	-	1	1,287	13,211
62,001	63,000	-	1	1	-	1	-	-	1	-	-	-	-	5	1,292	13,524
63,001	64,000	-	-	1	-	-	-	-	-	-	-	-	-	2	1,294	13,651
64,001	65,000	-	-	-	1	-	-	-	1	-	-	-	-	2	1,296	13,780
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,296	13,780
66,001	67,000	1	1	-	-	-	-	-	-	1	-	-	-	5	1,301	14,112
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,301	14,112
68,001	69,000	-	-	-	-	1	-	-	-	-	1	-	-	2	1,303	14,249
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,304	14,319
70,001	71,000	-	-	-	-	1	-	-	-	-	-	1	-	4	1,308	14,601
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,308	14,601
72,001	73,000	-	-	-	-	1	-	-	-	-	-	-	1	2	1,310	14,746
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,310	14,746
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,310	14,746
75,001	76,000	-	1	-	-	-	-	-	-	1	-	-	-	3	1,313	14,972
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,313	14,972
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	2	1,315	15,127
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,315	15,127
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	5	1,320	15,525
80,001	81,000	-	1	-	1	-	-	-	-	-	1	-	-	2	1,322	15,686
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	2	1,324	15,849
82,001	83,000	1	-	-	-	-	-	-	-	-	-	-	-	1	1,325	15,931

Chaparral City Water Company
Test Year Ended December 31, 2006

Meter Size: 1 Inch Commercial

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	1	-	1,325	15,931
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,326	16,016
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,326	16,016
86,001	87,000	-	-	-	1	-	-	-	1	-	-	-	-	-	1,328	16,189
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,328	16,189
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,328	16,189
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,328	16,189
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,328	16,189
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,328	16,189
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,328	16,189
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,328	16,189
94,001	95,000	-	-	-	-	-	-	-	1	-	-	-	-	1	1,329	16,283
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,329	16,283
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,329	16,283
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,329	16,283
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,329	16,283
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,329	16,283
100,001	101,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,330	16,428
101,001	102,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,331	16,657
102,001	103,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,333	16,863
103,001	104,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,334	17,438
104,001	105,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,335	18,063
105,001	106,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,337	18,317
106,001	107,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,339	18,539
107,001	108,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,340	18,757
108,001	109,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,341	18,905
109,001	110,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,342	19,006
110,001	111,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,343	19,187
111,001	112,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,344	19,321
112,001	113,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,345	19,472
113,001	114,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,346	19,713
114,001	115,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,347	20,485
115,001	116,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,348	20,590
116,001	117,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,349	20,746
117,001	118,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,350	20,921
118,001	119,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,351	21,065
119,001	120,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,352	21,321
120,001	121,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,353	21,476
121,001	122,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,354	22,028
122,001	123,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,355	22,130
123,001	124,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,356	22,290
124,001	125,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,357	22,480

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
171,000	171,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,358	22,651
169,000	169,000	-	-	-	-	-	-	-	-	-	-	1	-	1	1,359	22,820
186,000	186,000	1	-	-	-	-	-	-	-	-	-	-	-	1	1,360	23,006
389,000	389,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,361	23,395
110,000	110,000	-	-	1	-	-	-	-	-	-	-	-	-	1	1,362	23,505
454,000	454,000	-	1	-	-	-	-	-	-	-	-	-	-	1	1,363	23,959
202,000	202,000	-	1	-	-	-	-	-	-	-	-	-	-	1	1,364	24,161
142,000	142,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,365	24,303
158,000	158,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,366	24,461
Totals	-	112	113	112	112	112	113	114	113	117	114	117	117	1,366	Median	24,461
Average Usage	17,907													17,907	Billing	683
Median Usage	5,500													5,500		
Average # Customers	114													114		
Change in Number of Customers	5													5		

Chaparral City Water Company
Test Year Ended December 31, 2006

Meter Size:
 1 1/2 Inch Commercial

Exhibit
 Schedule H-5
 Page 8
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	2	2	3	4	6	6	1	4	4	6	9	1	48	48	-
1,001	2,000	5	9	6	6	4	5	7	3	6	5	5	8	69	117	35
2,001	3,000	5	3	5	5	4	4	6	2	4	2	4	3	47	164	105
3,001	4,000	3	2	4	2	4	1	-	2	6	3	3	6	36	200	195
4,001	5,000	2	4	4	6	4	3	-	6	2	4	4	2	41	241	339
5,001	6,000	2	2	4	-	4	3	6	1	2	-	1	3	28	269	465
6,001	7,000	-	4	1	2	1	2	3	2	1	4	1	3	24	293	597
7,001	8,000	2	-	1	2	-	4	2	2	1	3	2	-	19	312	720
8,001	9,000	5	2	1	3	1	-	-	2	-	2	-	1	20	332	870
9,001	10,000	1	1	1	2	-	-	-	2	-	1	-	1	10	342	955
10,001	11,000	1	1	2	-	1	2	-	-	-	1	4	1	13	355	1,079
11,001	12,000	2	1	3	1	1	-	-	-	1	-	3	1	13	368	1,215
12,001	13,000	1	2	-	1	2	1	-	-	1	1	1	-	10	378	1,330
13,001	14,000	-	1	1	2	-	-	-	1	-	-	1	1	7	385	1,418
14,001	15,000	2	-	2	1	-	-	-	-	2	2	-	2	11	396	1,566
15,001	16,000	-	-	-	1	1	-	2	-	1	-	-	-	5	401	1,639
16,001	17,000	1	-	-	1	1	-	1	3	1	-	1	-	9	410	1,778
17,001	18,000	1	1	-	-	-	1	-	-	2	2	-	1	12	422	1,976
18,001	19,000	1	-	1	3	-	-	-	-	1	1	1	1	7	429	2,099
19,001	20,000	-	1	-	-	-	-	-	-	-	-	-	-	9	438	2,265
20,001	21,000	-	2	-	-	1	-	1	2	2	-	1	3	11	449	2,480
21,001	22,000	-	-	-	-	2	1	-	2	-	1	-	-	8	457	2,644
22,001	23,000	2	-	1	-	1	1	-	-	-	2	-	-	7	464	2,794
23,001	24,000	-	-	-	-	-	1	1	-	-	1	-	1	4	468	2,884
24,001	25,000	2	-	-	-	-	2	3	1	-	-	-	-	10	478	3,119
25,001	26,000	-	-	-	-	2	1	-	-	-	-	-	-	3	481	3,193
26,001	27,000	-	-	2	-	-	-	-	1	-	1	2	1	7	488	3,371
27,001	28,000	-	-	-	-	1	-	1	-	-	-	-	-	2	490	3,424
28,001	29,000	-	2	-	-	-	-	-	1	-	2	1	1	8	498	3,644
29,001	30,000	-	-	1	1	1	-	2	1	-	-	-	1	7	505	3,844
30,001	31,000	-	-	1	-	-	-	1	-	-	-	-	-	4	509	3,962
31,001	32,000	1	-	-	1	1	1	-	-	-	-	-	-	4	513	4,084
32,001	33,000	-	-	1	-	1	1	-	-	2	-	-	-	6	519	4,273
33,001	34,000	-	-	-	1	-	-	-	2	1	-	-	-	4	523	4,403
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	1	524	4,436
35,001	36,000	-	-	1	-	-	-	-	1	-	2	-	-	4	528	4,574
36,001	37,000	-	-	-	-	-	-	1	-	-	-	-	-	2	530	4,645
37,001	38,000	-	2	-	-	1	-	-	1	2	-	-	1	7	537	4,901
38,001	39,000	-	-	-	-	1	1	1	-	-	-	-	-	3	540	5,013
39,001	40,000	1	-	-	1	-	1	1	-	-	-	-	-	5	545	5,206
40,001	41,000	-	1	-	-	2	-	-	-	-	2	-	-	4	549	5,364
		-	-	-	-	-	-	-	-	-	-	-	-	3	552	5,485

Chaparral City Water Company
Test Year Ended December 31, 2006
1 1/2 Inch Commercial

Meter Size:

Exhibit
Schedule H-5
Page 8
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	1	-	-	-	1	-	1	-	2	1	-	-	6	558	5,734
42,001	43,000	-	-	1	-	-	-	1	-	-	-	1	-	3	561	5,862
43,001	44,000	1	-	-	-	-	-	-	2	-	-	-	1	5	566	6,079
44,001	45,000	1	-	-	-	-	1	1	-	1	-	-	-	4	570	6,257
45,001	46,000	-	1	-	-	-	2	-	-	-	1	1	-	5	575	6,485
46,001	47,000	-	1	-	1	2	-	-	-	-	-	-	1	6	581	6,764
47,001	48,000	1	1	-	1	-	-	1	1	-	-	-	-	5	586	7,001
48,001	49,000	-	-	-	2	-	-	-	-	-	-	1	-	4	590	7,195
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	590	7,195
50,001	51,000	1	1	2	2	1	1	1	1	1	1	1	2	15	605	7,953
51,001	52,000	2	2	2	1	2	1	1	1	1	2	1	1	17	622	8,828
52,001	53,000	-	1	-	-	-	-	-	-	-	-	-	-	1	623	8,881
53,001	54,000	1	1	-	-	-	-	-	-	-	-	-	-	4	627	9,095
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	1	628	9,149
55,001	56,000	-	-	-	-	1	-	-	-	1	-	-	-	2	630	9,260
56,001	57,000	-	-	-	-	-	-	-	-	-	1	-	-	4	634	9,486
57,001	58,000	-	-	3	-	-	-	-	-	-	-	-	-	-	634	9,486
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	2	636	9,603
59,001	60,000	-	-	-	-	1	-	-	-	1	-	-	-	1	637	9,663
60,001	61,000	1	-	-	-	-	-	1	-	-	-	-	-	4	641	9,905
61,001	62,000	1	-	-	1	-	-	-	-	-	-	-	-	1	642	9,966
62,001	63,000	-	-	-	-	-	-	-	1	-	-	-	-	2	644	10,091
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	1	1	645	10,155
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	645	10,155
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	1	646	10,220
66,001	67,000	-	-	-	1	-	-	-	-	-	1	-	-	2	648	10,353
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	648	10,353
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	648	10,353
69,001	70,000	-	1	-	-	1	-	-	-	1	-	-	-	4	652	10,631
70,001	71,000	1	-	-	-	-	-	-	-	-	-	-	-	1	653	10,702
71,001	72,000	-	-	-	-	-	-	-	1	1	-	-	-	2	655	10,845
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	1	656	10,917
73,001	74,000	-	1	-	-	-	-	-	-	-	-	-	-	-	656	10,917
74,001	75,000	-	-	1	-	-	-	-	-	-	-	-	-	1	657	10,992
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	657	10,992
76,001	77,000	-	-	-	-	-	-	-	-	1	-	-	-	1	658	11,068
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	658	11,068
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	658	11,068
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	658	11,068
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	1	659	11,149
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	1	1	660	11,230
82,001	83,000	-	-	-	-	-	-	1	-	-	-	-	-	1	661	11,313

Chaparral City Water Company
Test Year Ended December 31, 2006

Meter Size:
1 1/2 Inch Commercial

Exhibit
Schedule H-5
Page 8
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	661	11,313
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	661	11,313
85,001	86,000	-	-	-	-	1	-	-	-	-	-	-	-	1	662	11,398
86,001	87,000	-	-	-	1	1	-	-	-	-	1	-	-	3	665	11,658
87,001	88,000	-	-	-	-	-	-	-	1	-	-	-	-	1	666	11,745
88,001	89,000	-	-	-	-	-	1	-	-	-	-	-	-	1	667	11,834
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	667	11,834
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	667	11,834
91,001	92,000	-	-	-	1	-	-	-	1	-	-	-	-	2	668	11,924
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	670	12,107
93,001	94,000	-	-	-	-	-	-	1	-	-	-	-	-	1	671	12,201
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	12,201
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	12,201
96,001	97,000	-	-	-	-	-	-	-	1	-	-	-	-	1	672	12,297
97,001	98,000	-	-	-	1	-	-	-	-	1	-	-	-	2	674	12,492
98,001	99,000	-	1	-	-	-	-	-	-	-	-	-	-	1	675	12,591
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	675	12,591
100,001	101,000	-	-	-	-	-	-	-	-	-	-	-	-	-	676	12,825
101,001	102,000	-	-	-	-	-	-	-	-	-	-	-	-	-	676	12,825
102,001	103,000	-	-	-	-	-	-	-	-	-	-	-	-	-	677	13,069
103,001	104,000	-	-	-	-	-	-	-	-	-	-	-	-	-	677	13,069
104,001	105,000	-	-	-	-	-	-	-	-	-	-	-	-	-	680	13,510
105,001	106,000	-	-	-	-	-	-	-	-	-	-	-	-	-	682	13,836
106,001	107,000	-	-	-	-	-	-	-	-	-	-	-	-	-	684	14,112
107,001	108,000	-	-	-	-	-	-	-	-	-	-	-	-	-	686	14,552
108,001	109,000	-	-	-	-	-	-	-	-	-	-	-	-	-	687	14,832
109,001	110,000	-	-	-	-	-	-	-	-	-	-	-	-	-	688	14,958
110,001	111,000	-	-	-	-	-	-	-	-	-	-	-	-	-	690	15,262
111,001	112,000	-	-	-	-	-	-	-	-	-	-	-	-	-	691	15,597
112,001	113,000	-	-	-	-	-	-	-	-	-	-	-	-	-	694	15,972
113,001	114,000	-	-	-	-	-	-	-	-	-	-	-	-	-	695	16,171
114,001	115,000	-	-	-	-	-	-	-	-	-	-	-	-	-	696	16,305
115,001	116,000	-	-	-	-	-	-	-	-	-	-	-	-	-	697	16,427
116,001	117,000	-	-	-	-	-	-	-	-	-	-	-	-	-	698	16,834
117,001	118,000	-	-	-	-	-	-	-	-	-	-	-	-	-	701	17,677
118,001	119,000	-	-	-	-	-	-	-	-	-	-	-	-	-	702	17,932
119,001	120,000	-	-	-	-	-	-	-	-	-	-	-	-	-	703	18,105
120,001	121,000	-	-	-	-	-	-	-	-	-	-	-	-	-	704	18,270
121,001	122,000	-	-	-	-	-	-	-	-	-	-	-	-	-	706	18,852
122,001	123,000	-	-	-	-	-	-	-	-	-	-	-	-	-	707	19,007
123,001	124,000	-	-	-	-	-	-	-	-	-	-	-	-	-	708	19,188
124,001	125,000	-	-	-	-	-	-	-	-	-	-	-	-	-	709	19,359
125,001	126,000	-	-	-	-	-	-	-	-	-	-	-	-	-	710	19,464
126,001	127,000	-	-	-	-	-	-	-	-	-	-	-	-	-	711	19,606
127,001	128,000	-	-	-	-	-	-	-	-	-	-	-	-	-	711	19,606

Chaparral City Water Company
 Test Year Ended December 31, 2006
 Meter Size: 1 1/2 Inch Commercial

Exhibit
 Schedule H-5
 Page 8
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
154,000	154,000	-	-	1	-	-	-	-	-	1	-	-	-	2	713	19,914
340,000	340,000	-	-	-	-	-	-	-	-	-	-	-	-	1	714	20,254
164,000	164,000	-	-	-	-	-	-	1	-	-	-	-	-	1	715	20,418
378,000	378,000	-	-	-	-	-	-	1	-	-	-	-	-	1	716	20,796
137,000	137,000	-	-	-	-	-	-	1	-	-	-	-	-	1	717	20,933
128,000	128,000	-	1	-	-	-	-	1	-	-	-	-	-	2	719	21,189
285,000	285,000	-	-	-	-	-	-	1	-	-	-	-	-	1	720	21,474
168,000	168,000	-	-	-	-	-	-	-	-	2	-	-	-	2	722	21,810
267,000	267,000	-	-	-	-	-	-	-	-	1	-	-	-	1	723	22,077
359,000	359,000	-	-	-	-	-	-	-	-	-	-	-	-	1	724	22,436
258,000	258,000	-	-	-	-	-	-	-	-	1	-	-	-	1	725	22,694
239,000	239,000	1	-	-	-	-	-	-	-	-	-	-	-	1	726	22,933
229,000	229,000	1	-	-	-	-	-	-	-	-	-	-	-	1	727	23,162
345,000	345,000	1	-	-	-	-	-	-	-	-	-	-	-	1	728	23,507
109,000	109,000	1	1	-	-	-	-	-	-	-	-	-	-	2	730	23,725
107,000	107,000	-	-	-	1	-	-	-	-	-	-	-	-	1	731	23,832
153,000	153,000	-	-	-	-	1	-	-	-	-	-	-	-	1	732	23,985
140,000	140,000	-	-	-	-	-	-	-	-	1	-	-	-	1	733	24,125
318,000	318,000	-	-	-	-	-	-	-	-	-	-	-	-	1	734	24,443
231,000	231,000	-	-	-	-	1	-	-	-	1	-	-	-	2	736	24,905
336,000	336,000	-	-	-	-	1	-	-	-	-	-	-	-	1	737	25,241
262,000	262,000	-	-	-	-	-	1	-	-	-	-	-	-	1	738	25,503
303,000	303,000	-	-	-	-	1	-	-	-	-	-	-	-	1	739	25,806
221,000	221,000	-	-	-	-	-	1	-	-	-	-	-	-	1	740	26,027
270,000	270,000	-	-	-	-	-	-	-	-	1	-	-	-	1	741	26,297
332,000	332,000	-	-	-	-	-	-	-	-	-	1	-	-	1	742	26,629
233,000	233,000	-	-	-	-	-	-	-	-	-	1	-	-	1	743	26,862
102,000	102,000	-	-	-	-	-	-	-	-	1	-	-	-	2	745	27,066
192,000	192,000	-	-	-	1	-	-	-	-	-	-	1	-	1	746	27,258
139,000	139,000	-	-	-	-	-	-	-	-	-	-	-	-	1	747	27,397
247,000	247,000	-	-	-	-	-	-	-	-	-	-	-	-	1	748	27,644
394,000	394,000	-	-	-	-	-	-	-	-	-	-	1	-	1	749	28,038
230,000	230,000	-	-	-	-	-	-	-	-	-	-	1	-	1	750	28,268
112,000	112,000	-	-	-	-	-	-	-	-	-	-	1	-	1	751	28,380
196,000	196,000	-	-	1	-	-	-	-	-	-	-	-	-	1	752	28,576
377,000	377,000	-	-	1	-	-	-	-	-	-	-	-	-	1	753	28,953
108,000	108,000	-	-	-	1	-	-	-	-	-	-	-	-	1	754	29,061
286,000	286,000	-	-	1	-	-	-	-	-	-	-	-	-	1	755	29,347
279,000	279,000	-	-	-	-	-	-	-	-	-	-	1	-	1	756	29,626
201,000	201,000	-	-	-	-	-	-	-	-	-	-	-	1	1	757	29,827
486,000	486,000	-	-	-	-	-	-	-	-	-	-	-	-	1	758	30,313
186,000	186,000	-	-	-	-	-	-	-	-	-	-	-	-	1	759	30,499

Exhibit
Schedule H-5
Page 8
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing (in 1,000's)	Cumulative Gallons
157,000	157,000	-	-	-	-	-	-	-	-	-	-	1	-	1	760	30,656
271,000	271,000	-	1	-	-	-	-	-	-	-	-	-	-	1	761	30,927
187,000	187,000	-	-	-	-	-	-	-	-	-	-	1	-	1	762	31,114
212,000	212,000	-	-	-	-	1	-	-	-	-	1	-	-	2	764	31,538
228,000	228,000	-	-	-	-	-	-	-	1	-	-	-	-	1	765	31,766
235,000	235,000	-	-	-	-	-	-	-	-	-	1	-	-	1	766	32,001
238,000	238,000	-	-	-	-	-	-	1	-	-	-	-	-	1	767	32,239
435,000	435,000	-	-	-	-	-	1	1	-	-	-	-	-	1	768	32,674
226,000	226,000	-	-	-	-	-	-	-	-	-	-	-	1	1	769	32,900
158,000	158,000	-	-	-	-	-	-	-	-	-	1	-	-	1	770	33,058
120,000	120,000	1	-	-	-	-	-	-	-	-	-	-	-	2	772	33,298
232,000	232,000	-	-	-	-	-	-	-	-	-	-	1	-	1	773	33,530
225,000	225,000	-	-	-	-	-	-	-	-	-	-	-	1	1	774	33,755
348,000	348,000	-	-	-	-	-	-	-	-	1	-	-	-	1	775	34,103
121,000	121,000	1	-	-	-	-	-	-	-	-	-	-	-	1	776	34,224
189,000	189,000	1	-	-	-	-	-	-	-	-	-	-	-	1	777	34,413
106,000	106,000	-	1	-	-	-	-	-	-	-	-	-	-	1	778	34,519
405,000	405,000	-	-	-	1	-	-	-	-	-	-	-	-	1	779	34,924
223,000	223,000	1	-	-	1	-	-	-	-	-	-	-	-	1	780	35,147
324,000	324,000	-	-	-	1	-	-	-	-	-	-	-	-	1	781	35,471
216,000	216,000	-	1	-	-	-	-	-	-	-	-	-	-	1	782	35,687
331,000	331,000	-	1	-	-	-	-	-	-	-	-	-	-	1	783	36,018
178,000	178,000	1	-	-	-	-	-	-	-	-	-	-	-	1	784	36,196
148,000	148,000	1	-	-	-	-	-	-	-	-	-	-	-	1	785	36,344
116,000	116,000	-	-	-	-	-	-	-	1	-	-	-	-	1	786	36,460
249,000	249,000	-	-	-	-	-	1	1	-	-	-	-	-	1	787	36,709
362,000	362,000	-	-	-	-	-	-	-	-	-	-	-	-	1	788	37,071
114,000	114,000	-	-	-	-	-	-	1	1	-	-	-	-	1	789	37,185
293,000	293,000	-	-	-	-	-	-	-	1	-	-	-	-	1	790	37,478
194,000	194,000	-	-	-	-	-	-	-	-	-	-	-	-	1	791	37,672
135,000	135,000	-	-	-	-	-	-	-	1	-	-	-	-	1	792	37,807
Totals		65	65	65	66	66	66	65	66	67	67	67	67	792	Median Billing	396
														47,736		
														13,500		
														66		
														2		

Chaparral City Water Company
 Test Year Ended December 31, 2006
 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	3	3	3	4	2	4	5	4	4	4	6	5	49	49	-
1,001	2,000	3	3	2	4	4	4	4	5	3	1	2	2	37	86	19
2,001	3,000	5	7	2	1	4	4	5	5	4	4	3	-	44	130	85
3,001	4,000	3	1	7	7	2	6	6	4	1	2	2	5	46	176	200
4,001	5,000	4	3	1	3	4	-	2	3	3	4	2	4	33	209	315
5,001	6,000	4	5	-	1	3	3	3	2	5	3	6	4	39	248	491
6,001	7,000	4	2	6	2	3	1	-	2	3	-	3	-	26	274	634
7,001	8,000	1	1	-	3	2	2	-	-	-	1	1	1	12	286	712
8,001	9,000	-	1	1	1	-	-	-	3	2	2	1	-	11	297	794
9,001	10,000	1	2	3	1	-	-	-	1	-	2	2	1	14	311	913
10,001	11,000	2	1	-	-	3	1	-	2	1	2	5	3	20	331	1,103
11,001	12,000	1	1	1	2	4	2	4	-	2	3	1	1	22	353	1,334
12,001	13,000	-	-	1	1	1	1	1	-	2	1	3	4	16	369	1,518
13,001	14,000	2	2	4	-	1	2	-	1	2	1	2	2	19	388	1,756
14,001	15,000	1	3	-	1	-	1	-	1	-	2	1	-	10	398	1,891
15,001	16,000	-	-	-	3	1	-	2	3	-	-	1	-	10	408	2,036
16,001	17,000	1	-	1	-	-	-	-	-	1	-	1	-	4	412	2,098
17,001	18,000	2	-	1	1	-	1	-	2	-	1	1	1	10	422	2,263
18,001	19,000	-	1	-	-	-	2	-	1	-	-	-	-	6	428	2,368
19,001	20,000	-	-	-	-	-	1	1	-	1	-	-	-	4	432	2,442
20,001	21,000	1	-	1	1	1	-	1	-	1	1	1	-	7	439	2,578
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	1	5	444	2,681
22,001	23,000	-	-	1	-	-	2	-	-	1	-	1	-	6	450	2,810
23,001	24,000	-	1	-	-	-	-	-	-	-	-	-	-	4	454	2,900
24,001	25,000	-	-	1	-	-	-	2	1	1	2	-	1	7	461	3,064
25,001	26,000	-	-	-	-	-	-	1	-	-	-	-	-	3	464	3,138
26,001	27,000	-	-	-	-	-	1	-	-	-	-	-	-	2	466	3,189
27,001	28,000	-	3	-	-	-	-	-	-	-	-	-	1	5	471	3,321
28,001	29,000	-	-	1	-	1	-	-	-	-	-	-	-	4	475	3,431
29,001	30,000	-	-	-	1	1	1	-	-	-	1	1	-	6	481	3,602
30,001	31,000	-	1	-	-	-	1	-	-	-	-	-	-	4	485	3,720
31,001	32,000	-	-	-	-	-	-	-	-	-	1	-	1	4	489	3,842
32,001	33,000	-	-	-	1	-	-	-	-	-	-	-	-	2	491	3,905
33,001	34,000	-	-	2	-	-	-	-	-	-	-	-	-	2	493	3,970
34,001	35,000	-	-	1	-	1	-	1	-	-	-	-	-	3	496	4,071
35,001	36,000	-	-	-	-	-	-	-	-	1	-	-	-	3	499	4,174
36,001	37,000	1	-	-	1	1	-	-	-	-	-	-	-	3	502	4,281
37,001	38,000	-	-	-	-	-	1	-	-	-	-	-	-	3	505	4,390
38,001	39,000	-	-	-	-	2	-	-	-	-	-	-	-	3	508	4,503
39,001	40,000	-	-	-	-	1	1	-	-	-	-	-	1	4	512	4,657
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	1	513	4,696
		-	-	-	1	-	-	-	-	-	-	-	-	1	514	4,737

Chaparral City Water Company
 Test Year Ended December 31, 2006
 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	1	-	-	-	-	-	-	-	1	-	-	4	518	4,903
42,001	43,000	1	-	-	-	1	-	-	-	-	-	-	-	2	520	4,988
43,001	44,000	1	1	-	-	-	-	-	1	-	-	-	-	5	525	5,205
44,001	45,000	1	-	1	-	1	-	-	-	-	-	-	-	4	529	5,383
45,001	46,000	-	-	-	-	-	-	1	-	-	-	-	-	1	530	5,429
46,001	47,000	-	-	-	1	-	-	-	-	1	-	-	-	2	532	5,522
47,001	48,000	-	-	1	-	-	-	1	-	-	-	-	-	3	535	5,664
48,001	49,000	-	-	-	-	-	-	-	-	1	1	-	-	4	539	5,858
49,001	50,000	2	2	-	-	-	-	-	-	-	-	-	-	6	545	6,155
50,001	51,000	1	1	-	-	-	-	-	-	1	-	-	1	4	549	6,357
51,001	52,000	-	1	-	-	1	-	-	1	-	-	-	-	5	554	6,615
52,001	53,000	1	-	1	1	-	-	-	-	-	-	-	-	2	556	6,720
53,001	54,000	-	-	1	1	-	-	-	-	-	-	-	-	3	559	6,880
54,001	55,000	1	-	1	-	-	-	-	-	-	1	2	-	5	564	7,153
55,001	56,000	-	-	-	-	-	-	-	-	-	2	-	-	2	566	7,264
56,001	57,000	-	-	-	-	-	-	-	1	-	-	-	-	1	567	7,320
57,001	58,000	-	-	-	-	-	-	-	-	-	1	-	-	2	569	7,435
58,001	59,000	1	-	2	-	1	-	-	-	1	-	-	-	5	574	7,728
59,001	60,000	-	-	-	-	-	-	-	-	2	-	-	-	4	578	7,966
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	578	7,966
61,001	62,000	-	-	-	-	1	-	-	-	-	-	-	-	1	579	8,027
62,001	63,000	-	-	-	-	1	-	1	-	-	1	-	-	3	582	8,215
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	2	584	8,342
64,001	65,000	-	1	1	-	-	-	1	-	1	-	-	-	6	590	8,729
65,001	66,000	1	-	-	-	2	-	-	-	-	-	-	-	2	592	8,860
66,001	67,000	1	1	-	-	-	-	-	-	-	-	1	-	3	595	9,059
67,001	68,000	-	1	1	1	-	-	1	-	-	-	-	-	5	600	9,397
68,001	69,000	-	-	1	-	-	-	-	1	-	-	-	-	3	603	9,602
69,001	70,000	-	1	-	-	-	-	-	-	-	-	-	-	3	606	9,811
70,001	71,000	-	-	-	-	-	-	-	-	-	-	1	-	1	607	9,881
71,001	72,000	-	-	-	1	-	-	-	-	-	-	-	-	1	608	9,953
72,001	73,000	-	-	-	-	-	-	-	-	1	-	-	-	2	610	10,098
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	610	10,098
74,001	75,000	-	2	-	-	-	-	-	-	-	-	-	-	2	612	10,247
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	612	10,247
76,001	77,000	1	-	-	1	-	-	-	-	-	-	-	-	2	614	10,400
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	614	10,400
78,001	79,000	1	-	-	-	-	-	-	-	-	-	-	1	3	617	10,635
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	617	10,635
80,001	81,000	-	-	-	1	1	-	1	-	-	-	-	-	5	622	11,038
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	622	11,038
82,001	83,000	2	-	-	1	-	-	-	-	-	1	-	-	4	626	11,368

Chaparral City Water Company
 Test Year Ended December 31, 2006
 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	1	-	1	-	-	2	628	11,535
84,001	85,000	2	-	-	-	-	-	-	1	-	-	-	-	3	631	11,788
85,001	86,000	-	-	-	-	-	-	-	-	-	1	1	-	2	633	11,959
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	633	11,959
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	633	11,959
88,001	89,000	-	-	-	-	-	-	-	1	-	-	-	-	1	634	12,048
89,001	90,000	-	-	-	-	-	-	1	-	-	-	-	-	1	635	12,137
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	1	1	636	12,228
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	636	12,228
92,001	93,000	-	-	-	-	1	-	-	1	-	-	-	-	2	638	12,413
93,001	94,000	-	-	-	-	-	-	-	1	-	1	-	-	3	641	12,693
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	641	12,693
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	1	642	12,789
96,001	97,000	-	-	1	-	-	-	-	-	1	-	-	-	2	644	12,982
97,001	98,000	-	-	-	1	-	-	-	-	-	-	-	-	1	645	13,079
98,001	99,000	-	1	-	-	-	-	-	-	-	-	-	-	1	646	13,178
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	646	13,178
100,001	101,000	-	-	-	-	-	-	-	-	-	-	-	-	-	648	13,576
101,001	102,000	1	1	-	-	-	-	-	-	-	-	-	-	2	649	13,754
102,001	103,000	-	-	-	-	-	-	-	-	-	-	-	-	1	650	14,213
103,001	104,000	-	-	-	-	-	-	1	-	-	-	-	-	1	651	15,114
104,001	105,000	-	-	-	-	-	-	1	-	-	-	-	-	1	652	15,333
105,001	106,000	-	-	-	-	-	-	-	-	-	-	-	-	1	653	15,442
106,001	107,000	-	-	-	-	-	-	-	-	-	-	-	-	2	655	15,716
107,001	108,000	-	-	-	-	-	-	-	-	-	-	-	-	1	656	15,883
108,001	109,000	-	-	-	-	-	-	-	-	-	-	-	-	2	658	16,195
109,001	110,000	-	-	-	-	-	-	-	-	-	-	-	-	2	660	16,797
110,001	111,000	-	-	-	-	-	-	-	-	-	-	-	-	1	661	16,970
111,001	112,000	-	-	-	-	-	-	-	-	-	-	-	-	1	662	17,180
112,001	113,000	-	-	-	-	-	-	-	-	-	-	-	-	1	663	17,581
113,001	114,000	-	-	-	-	-	-	-	-	-	-	-	-	1	664	17,706
114,001	115,000	-	-	-	-	-	-	-	-	-	-	-	-	4	668	18,250
115,001	116,000	-	-	2	1	-	-	-	-	-	-	-	-	2	670	18,510
116,001	117,000	-	-	-	-	-	-	-	-	-	-	-	-	2	672	18,892
117,001	118,000	-	-	-	-	-	-	-	-	-	-	-	-	3	675	19,363
118,001	119,000	-	-	-	-	-	-	-	-	-	-	-	-	1	676	19,633
119,001	120,000	-	-	-	-	-	-	-	-	-	-	-	-	1	677	19,862
120,001	121,000	1	-	-	-	-	-	-	-	-	-	-	-	3	680	20,291
121,001	122,000	-	-	-	-	-	-	-	-	-	-	-	-	1	681	20,413
122,001	123,000	-	-	-	-	-	-	-	-	-	-	-	-	1	682	20,804
123,001	124,000	-	-	-	-	-	-	-	-	-	-	-	-	2	684	21,084
124,001	125,000	-	-	-	-	-	-	-	-	-	-	-	-	4	688	21,700

Chaparral City Water Company
 Test Year Ended December 31, 2006
 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
314,000	314,000	-	-	-	-	-	-	-	1	-	1	-	-	2	690	22,328
171,000	171,000	-	-	1	-	-	-	1	-	-	-	-	-	2	692	22,670
222,000	222,000	-	-	-	1	-	-	-	-	-	-	-	-	1	693	22,892
129,000	129,000	1	-	-	-	-	1	-	-	-	-	-	-	2	695	23,150
263,000	263,000	-	-	-	-	-	1	-	-	-	-	-	-	1	696	23,413
253,000	253,000	-	-	-	-	-	1	-	-	-	-	-	-	1	697	23,666
298,000	298,000	-	-	-	-	1	-	-	-	-	-	-	-	2	699	24,262
102,000	102,000	-	-	-	1	-	1	-	-	-	-	-	-	3	702	24,568
170,000	170,000	-	-	-	-	-	1	-	-	-	-	-	-	2	704	24,908
295,000	295,000	-	-	-	-	-	1	-	-	-	-	-	-	1	705	25,203
409,000	409,000	-	-	-	-	-	1	-	-	-	-	-	-	1	706	25,612
209,000	209,000	-	-	-	-	-	-	-	1	-	-	-	-	1	707	25,821
120,000	120,000	-	-	-	-	-	-	-	-	-	-	-	-	1	708	25,941
260,000	260,000	-	-	-	-	-	-	-	-	-	1	-	-	2	710	26,461
236,000	236,000	-	-	-	-	-	-	-	-	-	-	-	-	1	711	26,697
111,000	111,000	-	-	-	-	-	-	-	-	-	-	-	-	1	712	26,808
684,000	684,000	-	-	-	-	-	-	-	-	-	-	-	-	1	713	27,492
174,000	174,000	-	-	-	-	-	-	-	-	-	-	-	-	2	715	27,840
105,000	105,000	1	-	-	-	-	-	-	1	-	-	-	-	2	717	28,050
147,000	147,000	-	-	-	-	-	-	-	-	-	1	-	-	1	718	28,197
430,000	430,000	-	-	-	-	-	-	-	-	-	1	-	-	1	719	28,627
155,000	155,000	-	-	2	-	-	-	1	-	-	-	-	-	3	722	29,092
103,000	103,000	-	-	-	-	-	-	1	-	-	-	-	-	2	724	29,298
142,000	142,000	1	-	-	-	-	-	1	-	-	1	-	-	2	726	29,582
235,000	235,000	-	-	-	-	-	-	1	-	-	-	-	-	1	727	29,817
144,000	144,000	-	-	-	-	-	-	1	-	-	-	-	-	2	729	30,105
148,000	148,000	-	-	-	-	-	-	1	-	-	-	-	-	1	730	30,253
194,000	194,000	-	-	-	-	-	1	-	-	-	-	-	-	3	733	30,835
456,000	456,000	-	-	-	-	-	-	1	-	-	-	-	-	1	734	31,291
128,000	128,000	-	-	-	-	1	-	-	-	-	1	-	-	3	737	31,675
106,000	106,000	-	-	1	-	-	-	1	-	-	-	-	-	2	739	31,887
284,000	284,000	-	-	-	-	-	-	1	-	-	-	-	-	1	740	32,171
453,000	453,000	-	-	-	-	-	-	-	-	-	-	-	-	1	741	32,624
110,000	110,000	-	-	-	-	-	-	-	-	1	-	-	-	1	742	32,734
182,000	182,000	-	-	-	-	-	-	-	-	1	-	-	-	1	743	32,916
402,000	402,000	-	-	-	-	-	-	-	-	1	-	-	-	1	744	33,318
216,000	216,000	-	-	-	-	-	-	-	-	-	1	-	-	1	745	33,534
341,000	341,000	-	-	-	-	-	-	-	-	-	-	-	-	1	746	33,875
168,000	168,000	-	-	-	-	-	-	-	-	1	-	-	-	1	747	34,043
197,000	197,000	-	-	-	-	-	-	-	-	-	-	-	-	1	748	34,240
150,000	150,000	1	-	-	-	-	-	-	-	-	-	-	-	3	751	34,690
349,000	349,000	1	-	-	1	-	-	-	-	-	-	-	-	2	753	35,388

Chaparral City Water Company
 Test Year Ended December 31, 2006
 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
234,000	234,000	1	-	1	-	-	-	-	-	-	-	-	-	2	755	35,856
163,000	163,000	1	-	-	-	-	-	-	-	1	-	-	-	2	757	36,182
279,000	279,000	-	-	-	-	-	-	-	-	1	-	-	-	1	758	36,461
420,000	420,000	-	-	-	-	-	-	-	-	1	-	-	-	1	759	36,881
185,000	185,000	1	-	-	-	1	-	-	-	1	-	-	-	4	763	37,621
245,000	245,000	-	-	-	-	1	-	-	-	1	-	-	-	2	765	38,111
342,000	342,000	-	-	-	-	-	-	-	-	1	-	-	-	1	766	38,453
213,000	213,000	-	-	-	-	1	-	-	-	-	-	-	-	1	767	38,666
133,000	133,000	-	-	-	-	1	-	-	-	-	-	-	-	1	768	38,799
237,000	237,000	-	-	-	-	1	-	-	-	-	-	-	-	1	769	39,036
212,000	212,000	-	-	-	-	-	1	-	-	-	-	-	-	1	770	39,248
162,000	162,000	1	-	-	1	-	-	-	-	-	-	-	-	3	773	39,734
328,000	328,000	-	-	-	-	1	-	-	-	-	-	-	-	1	774	40,062
114,000	114,000	-	-	-	-	1	-	-	-	1	-	-	-	2	776	40,290
132,000	132,000	-	-	-	-	-	-	-	-	-	-	-	-	1	777	40,422
363,000	363,000	-	-	-	-	-	-	-	-	-	1	-	-	1	778	40,785
175,000	175,000	-	-	-	-	-	-	-	-	-	-	1	-	2	780	41,135
203,000	203,000	-	-	-	-	-	-	-	-	1	1	-	-	1	781	41,338
181,000	181,000	-	-	-	-	-	-	-	-	-	1	-	-	2	783	41,700
291,000	291,000	-	-	1	-	-	-	-	-	-	-	-	-	1	784	41,991
550,000	550,000	-	-	-	1	-	-	-	-	-	-	-	-	1	785	42,541
196,000	196,000	-	-	-	1	1	-	-	-	-	1	-	-	3	788	43,129
101,000	101,000	-	-	-	-	1	-	-	-	-	-	-	-	2	790	43,331
164,000	164,000	-	-	-	-	1	-	-	1	-	-	-	-	2	792	43,659
450,000	450,000	-	1	-	-	-	-	-	-	-	-	-	-	1	793	44,109
187,000	187,000	-	-	-	1	-	-	-	-	-	-	-	-	1	794	44,296
511,000	511,000	-	-	-	-	-	-	-	-	-	-	1	-	1	795	44,807
104,000	104,000	-	-	-	-	1	-	-	-	-	-	-	-	1	796	44,911
356,000	356,000	-	-	-	-	-	-	-	-	-	-	-	-	1	797	45,267
112,000	112,000	-	-	-	-	-	-	-	-	-	-	1	-	1	798	45,379
207,000	207,000	-	-	-	-	-	-	-	-	-	-	1	-	1	799	45,586
183,000	183,000	-	-	-	1	-	-	-	-	-	-	-	-	1	800	45,769
146,000	146,000	-	-	-	1	-	-	-	-	-	-	-	-	1	801	45,915
116,000	116,000	1	-	-	-	-	-	-	-	-	-	-	-	2	803	46,147
293,000	293,000	-	-	1	-	-	-	-	-	-	-	-	-	1	804	46,440
138,000	138,000	-	-	1	-	-	-	-	-	-	-	-	-	1	805	46,578
205,000	205,000	-	-	1	-	-	-	-	-	-	-	-	-	1	806	46,783
158,000	158,000	-	1	-	-	-	-	-	-	-	-	-	-	2	808	47,099
121,000	121,000	-	-	-	-	-	-	-	-	-	-	-	1	1	809	47,220
115,000	115,000	-	-	-	-	-	-	-	-	-	-	1	-	1	810	47,335
176,000	176,000	-	-	-	-	-	-	-	-	-	-	1	-	1	811	47,511
352,000	352,000	-	-	-	-	-	-	-	-	-	-	-	1	1	812	47,863

Exhibit
Schedule H-5
Page 9
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
382,000	382,000	-	-	-	-	-	-	-	-	-	-	-	1	1	813	48,245
200,000	200,000	-	-	-	-	-	-	-	-	-	-	-	1	1	814	48,445
113,000	113,000	-	-	-	-	-	-	-	-	-	-	-	-	2	816	48,671
149,000	149,000	1	-	-	-	-	-	-	-	-	1	-	-	3	819	49,118
195,000	195,000	-	-	-	-	1	-	-	-	-	-	-	-	1	820	49,313
223,000	223,000	-	-	-	-	1	-	-	-	-	-	-	-	1	821	49,536
139,000	139,000	-	-	-	-	1	-	-	-	-	-	-	-	1	822	49,675
206,000	206,000	-	-	-	-	-	-	-	-	-	-	1	-	2	824	50,087
649,000	649,000	-	-	-	-	1	-	-	-	-	-	-	-	1	825	50,736
190,000	190,000	-	-	1	-	-	-	-	-	-	-	-	-	1	826	50,926
455,000	455,000	-	-	-	-	-	-	1	-	-	-	-	-	2	828	51,836
227,000	227,000	-	-	-	-	-	-	-	1	-	-	-	-	1	829	52,063
108,000	108,000	-	-	-	-	-	-	1	-	-	-	-	-	1	830	52,171
278,000	278,000	-	-	-	-	-	-	1	-	-	-	-	-	1	831	52,449
338,000	338,000	-	-	-	-	-	-	1	-	-	-	-	-	1	832	52,787
393,000	393,000	-	-	-	-	-	-	-	1	-	-	-	-	1	833	53,180
145,000	145,000	-	-	-	-	-	-	-	-	-	-	-	1	1	834	53,325
215,000	215,000	-	-	-	-	-	-	-	-	1	-	-	-	1	835	53,540
217,000	217,000	-	1	-	-	-	-	1	-	-	-	-	-	3	838	54,191
321,000	321,000	-	-	-	-	-	-	-	-	-	-	1	-	1	839	54,512
259,000	259,000	-	-	-	-	-	-	-	-	-	1	-	-	1	840	54,771
226,000	226,000	-	-	-	-	-	-	-	-	1	-	-	-	1	841	54,997
261,000	261,000	-	-	-	-	-	-	-	-	-	-	1	-	1	842	55,258
365,000	365,000	1	-	-	-	-	-	-	-	-	-	-	-	1	843	55,623
165,000	165,000	-	-	-	-	-	-	-	-	-	-	-	-	2	845	55,953
344,000	344,000	-	-	-	-	-	-	-	1	-	-	-	-	1	846	56,297
225,000	225,000	-	-	-	-	-	-	-	-	-	-	-	-	1	847	56,522
230,000	230,000	-	-	-	-	1	-	-	-	-	-	-	-	1	848	56,752
214,000	214,000	-	-	-	-	-	-	-	-	-	-	-	-	1	849	56,966
264,000	264,000	-	-	-	-	1	-	-	-	-	-	-	-	1	850	57,230
166,000	166,000	-	-	-	-	1	-	-	-	-	-	-	-	1	851	57,396
189,000	189,000	-	-	-	-	-	-	-	1	-	-	-	-	1	852	57,585
134,000	134,000	-	-	-	-	-	-	-	1	-	-	-	-	1	853	57,719
276,000	276,000	-	-	-	-	-	-	-	1	-	-	-	-	1	854	

Chaparral City Water Company
 Test Year Ended December 31, 2006
 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumul- ative Billing	Cumul- ative Gallons (in 1,000's)

Change in Number of Customers

Chaparral City Water Company
Test Year Ended December 31, 2006

Exhibit
Schedule H-5
Page 10
Witness: Bourassa

Meter Size:
3 Inch Commercial

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	-	-	-	-	-	1	-	-	1	1	1	-	5	5	-
1,001	1,000	-	-	-	-	-	-	1	-	-	-	-	-	1	6	1
2,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	1
3,001	3,000	-	-	-	-	-	-	-	1	-	-	-	-	1	7	3
4,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	3
5,001	5,000	-	-	1	-	-	1	1	-	-	-	-	-	3	10	17
6,001	6,000	-	-	-	-	1	-	1	-	-	-	-	1	3	13	33
7,001	7,000	-	-	1	-	-	1	-	-	-	1	-	-	3	16	53
8,001	8,000	-	-	-	1	1	-	-	-	1	-	-	-	3	19	75
9,001	9,000	-	1	-	-	-	-	-	1	-	-	-	-	2	21	92
10,001	10,000	1	-	-	1	-	-	-	-	-	-	-	-	3	24	121
11,001	11,000	1	1	-	-	-	-	-	-	-	-	1	-	4	28	163
12,001	12,000	1	-	-	1	-	-	-	-	-	-	-	-	2	30	186
13,001	13,000	-	-	-	-	-	-	-	-	-	-	1	-	2	32	211
14,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	211
15,001	15,000	-	-	-	-	1	-	-	1	-	-	-	-	3	35	254
16,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	1	36	270
17,001	17,000	-	1	-	-	-	-	-	-	-	-	-	-	-	36	270
18,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	1	37	287
19,001	19,000	1	-	-	-	-	-	-	-	-	-	-	-	1	38	306
20,001	20,000	-	-	-	-	-	-	-	-	1	-	-	-	1	39	325
21,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	325
22,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	325
23,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	1	40	348
24,001	24,000	-	-	-	-	-	-	-	-	-	1	-	-	-	40	348
25,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	40	348
26,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	40	348
27,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	40	348
28,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	40	348
29,001	29,000	-	-	-	-	-	1	-	-	-	-	-	-	1	41	376
30,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	376
31,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	376
32,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	376
33,001	33,000	-	-	1	-	-	-	-	-	-	-	-	1	2	43	439
34,001	34,000	-	-	-	1	-	-	-	-	-	-	-	-	1	44	472
35,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	472
36,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	472
37,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	472
38,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	472
39,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44	472
40,001	40,000	-	-	-	-	1	-	-	-	1	-	-	-	1	45	510
41,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	1	46	550
		-	-	-	-	-	-	-	-	-	-	-	-	-	46	550

Chaparral City Water Company
Test Year Ended December 31, 2006
3 Inch Commercial

Exhibit
Schedule H-5
Page 10
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	550
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	550
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	550
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	550
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	550
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	550
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	550
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	550
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	46	550
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	1	47	599
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	599
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	599
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	1	48	652
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	652
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	652
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	652
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	652
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	652
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	652
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	652
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	652
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	652
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	1	49	715
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	715
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	715
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	715
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	715
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	715
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	715
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	715
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	715
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	1	50	787
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	787
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	787
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	787
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	787
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	787
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	787
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	787
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	867
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	1	51	867
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	1	52	950

Exhibit
Schedule H-5
Page 10
Witness: Bourassa

Meter Size:

[illegible]

Chaparral City Water Company
 Test Year Ended December 31, 2006
 4 Inch Commercial

Exhibit
 Schedule H-5
 Page 11
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	1	1	1	1	1	1	1	1	2	1	1	1	12	12	1
1,001	2,000	-	-	-	-	-	-	1	-	-	-	-	-	1	13	1
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	1
25,001	26,000	1	-	-	-	-	-	-	-	-	-	-	-	1	14	25
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	25
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	25
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	25
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	25
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	25
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	25
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	25
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	25
34,001	35,000	-	-	1	-	-	-	-	-	-	-	-	-	-	14	25
35,001	36,000	-	1	-	-	-	-	-	-	1	-	-	-	3	17	129
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	17	129
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	17	129
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	1	1	18	166
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	18	166
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	18	166

Chaparral City Water Company
Test Year Ended December 31, 2006
4 Inch Commercial

Exhibit
Schedule H-5
Page 11
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	18	166
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	18	166
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	18	166
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	1	19	211
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	1	20	256
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	256
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	256
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	256
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	256
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	256
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	256
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	256
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	256
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	256
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	256
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	256
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	256
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	256
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	1	21	315
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	315
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	315
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	315
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	1	22	377
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	377
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	1	23	449
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	449

Exhibit
Schedule H-5
Page 11
Witness: Bourassa

Meter Size:

[illegible]

Exhibit
Schedule H-5
Page 11
Witness: Bourassa

Meter Size:

4 Inch Commercial

Usage From:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
Usage To:													186,146	Billing	
									Average Usage				79,500		24
									Median Usage						
									Average # Customers				4		
									Change in Number of Customers				-		

Chaparral City Water Company
 Test Year Ended December 31, 2006
 3/4 Inch Industrial

Exhibit
 Schedule H-5
 Page 12
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	1	2	2
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	1	3	4
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	4	7	18
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7	18
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	1	8	24
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	1	9	30
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9	30
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	2	11	47
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	47
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	47
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	47
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	47
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	47
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	47
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	47
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	47
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	47
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	1	12	65
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65

Chaparral City Water Company
Test Year Ended December 31, 2006

Exhibit
Schedule H-5
Page 12
Witness: Bourassa

Meter Size:
3/4 Inch Industrial

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65

Chaparral City Water Company
Test Year Ended December 31, 2006
3/4 Inch Industrial

Exhibit
Schedule H-5
Page 12
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	65
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12	Median Billing	6

Average Usage
5,375
Median Usage
3,500
Average # Customers
1
Change in Number of Customers
-

Chaparral City Water Company
Test Year Ended December 31, 2006

Meter Size: 1 Inch Industrial

Exhibit
Schedule H-5
Page 13
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	1	1	1	1	1	1	1	1	1	1	1	1	12	12	-
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-

Chaparral City Water Company
Test Year Ended December 31, 2006

Exhibit
Schedule H-5
Page 13
Witness: Bourassa

Meter Size:
1 Inch Industrial

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-

Chaparral City Water Company
Test Year Ended December 31, 2006
1 Inch Industrial

Exhibit
Schedule H-5
Page 13
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12	Median Billing	6
															Average Usage	
															Median Usage	
															Average # Customers	1
															Change in Number of Customers	-

Chaparral City Water Company
Test Year Ended December 31, 2006

Meter Size: 1 1/2 Inch Industrial

Exhibit
Schedule H-5
Page 14
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	-	-	-	-	-	-	-	-	-	-	-	-	3	3	-
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	1	4	1
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	1	5	40
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40

Chaparral City Water Company
Test Year Ended December 31, 2006
1 1/2 Inch Industrial

Exhibit
Schedule H-5
Page 14
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40

Chaparral City Water Company
Test Year Ended December 31, 2006

Meter Size:
1 1/2 Inch Industrial

Exhibit
Schedule H-5
Page 14
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
Totals		-	-	-	-	-	-	-	-	-	-	-	-	-	5	40
														8,000	Median Billing	3
														-	Average # Customers	0
														-	Change in Number of Customers	1

Chaparral City Water Company
 Test Year Ended December 31, 2006
 34 Inch Irrigation

Exhibit
 Schedule H-5
 Page 15
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	30	26	35	32	10	8	19	35	25	25	29	23	332	332	40
1,001	2,000	5	13	7	6	10	3	12	4	5	5	2	10	79	411	178
2,001	3,000	8	7	10	10	5	3	3	4	8	6	6	13	92	503	333
3,001	4,000	4	9	9	6	4	6	1	1	5	4	7	6	62	565	546
4,001	5,000	7	6	6	5	5	5	6	3	3	6	5	4	61	626	803
5,001	6,000	6	6	4	6	3	6	4	3	4	3	5	7	57	683	1,166
6,001	7,000	6	2	4	5	9	5	3	10	5	4	4	4	66	749	1,523
7,001	8,000	4	9	6	3	6	1	5	5	4	3	3	6	55	804	1,928
8,001	9,000	5	4	4	4	7	3	4	5	5	7	2	5	54	858	2,319
9,001	10,000	1	3	4	5	5	7	2	4	3	2	7	3	46	904	2,880
10,001	11,000	7	6	5	-	4	6	7	4	4	4	6	6	59	963	3,405
11,001	12,000	4	4	3	1	3	7	6	4	5	4	4	4	50	1,013	3,991
12,001	13,000	5	3	6	4	5	3	3	2	6	5	4	5	51	1,064	4,541
13,001	14,000	5	4	4	5	2	6	2	3	3	4	2	4	44	1,108	5,054
14,001	15,000	3	4	4	6	4	1	2	-	3	2	5	4	38	1,146	5,388
15,001	16,000	2	1	3	2	3	2	-	3	1	1	1	1	23	1,169	5,992
16,001	17,000	2	4	2	4	4	2	2	3	2	6	5	3	39	1,208	6,603
17,001	18,000	8	4	2	3	3	2	3	2	1	4	2	3	37	1,245	6,918
18,001	19,000	1	-	-	4	1	2	3	2	1	2	1	1	18	1,263	7,399
19,001	20,000	1	1	2	1	5	3	-	2	4	1	2	4	26	1,289	7,945
20,001	21,000	-	1	3	3	1	2	4	2	2	2	3	4	28	1,317	8,417
21,001	22,000	2	3	1	1	-	4	2	2	1	1	1	1	23	1,340	8,847
22,001	23,000	1	3	-	-	2	3	4	2	3	-	4	1	20	1,360	9,364
23,001	24,000	3	1	1	5	1	4	1	1	-	4	1	1	23	1,383	9,834
24,001	25,000	1	-	1	1	4	1	4	1	2	1	3	1	20	1,403	10,373
25,001	26,000	3	3	1	2	1	2	1	1	5	3	-	-	22	1,425	10,832
26,001	27,000	1	1	1	2	1	2	3	2	1	3	-	1	18	1,443	11,097
27,001	28,000	1	-	2	1	-	-	1	1	-	2	2	-	10	1,453	11,565
28,001	29,000	1	1	2	1	2	2	1	2	2	-	2	1	17	1,470	11,878
29,001	30,000	1	-	-	-	1	1	3	2	1	1	1	-	11	1,481	12,232
30,001	31,000	2	2	1	1	1	-	2	2	1	-	2	-	12	1,493	12,568
31,001	32,000	-	-	1	1	2	1	-	-	1	-	1	2	11	1,504	12,820
32,001	33,000	-	2	-	1	-	1	1	1	1	1	-	-	8	1,512	13,112
33,001	34,000	-	-	-	1	-	-	3	1	-	-	-	1	9	1,521	13,313
34,001	35,000	-	-	1	1	-	-	-	1	-	1	-	-	6	1,527	13,417
35,001	36,000	-	-	-	1	1	-	-	-	-	-	1	-	3	1,530	13,594
36,001	37,000	-	-	-	1	-	-	-	-	-	-	-	-	5	1,535	13,777
37,001	38,000	1	-	-	1	-	3	-	-	-	-	-	-	5	1,540	14,002
38,001	39,000	-	-	-	1	-	1	1	1	1	-	-	1	6	1,546	14,233
39,001	40,000	1	-	-	-	-	1	1	-	-	2	-	-	6	1,552	14,470
40,001	41,000	-	1	-	-	1	-	1	-	-	-	-	1	5	1,558	14,672
															1,563	

Chaparral City Water Company
Test Year Ended December 31, 2006

Exhibit
 Schedule H-5
 Page 15
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	1	-	1	-	-	-	-	2	1,565	14,755
42,001	43,000	-	-	1	-	-	-	1	-	-	-	-	-	2	1,567	14,840
43,001	44,000	-	1	-	-	-	-	-	-	-	1	-	2	6	1,573	15,101
44,001	45,000	-	-	-	-	-	-	1	2	-	1	1	1	6	1,579	15,368
45,001	46,000	-	-	1	-	-	-	1	-	1	-	1	1	5	1,584	15,596
46,001	47,000	-	-	1	-	-	2	-	-	1	1	-	-	5	1,589	15,828
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	2	1,591	15,923
48,001	49,000	-	-	-	-	-	-	2	-	-	-	2	-	4	1,595	16,117
49,001	50,000	-	-	1	-	-	-	1	-	1	-	1	-	5	1,600	16,365
50,001	51,000	1	-	-	-	-	-	-	-	1	1	1	-	3	1,603	16,516
51,001	52,000	-	-	-	1	-	-	-	1	1	1	-	-	5	1,608	16,774
52,001	53,000	-	-	1	-	1	-	1	2	1	1	-	-	7	1,615	17,141
53,001	54,000	-	-	1	-	-	-	-	-	1	1	-	1	3	1,618	17,302
54,001	55,000	-	-	-	1	-	-	-	-	1	-	-	-	6	1,624	17,629
55,001	56,000	-	1	-	-	-	1	-	-	-	-	1	-	3	1,627	17,795
56,001	57,000	-	-	-	-	-	-	-	-	1	-	-	-	2	1,629	17,908
57,001	58,000	-	-	-	-	-	1	-	-	-	-	-	-	1	1,630	17,966
58,001	59,000	-	-	-	-	-	-	-	-	-	1	-	-	3	1,633	18,141
59,001	60,000	-	-	-	-	-	-	1	-	1	1	1	1	5	1,638	18,439
60,001	61,000	-	-	-	-	1	-	-	1	-	-	-	-	2	1,640	18,560
61,001	62,000	-	-	-	1	1	-	-	-	-	-	-	-	2	1,642	18,683
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,642	18,683
63,001	64,000	1	2	-	-	1	-	-	-	-	-	-	-	4	1,646	18,937
64,001	65,000	1	-	-	-	-	-	-	-	-	-	-	-	4	1,650	19,195
65,001	66,000	-	-	-	-	-	-	1	1	1	1	1	-	5	1,655	19,522
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,655	19,522
67,001	68,000	-	-	1	-	-	-	-	-	-	-	-	-	2	1,657	19,657
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	2	1,659	19,794
69,001	70,000	-	-	-	-	1	-	-	-	-	1	-	-	1	1,660	19,864
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,660	19,864
71,001	72,000	-	-	-	-	-	-	1	-	1	1	-	-	4	1,664	20,150
72,001	73,000	-	-	-	-	-	-	-	1	-	-	-	-	1	1,665	20,222
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,665	20,222
74,001	75,000	1	-	1	-	1	-	-	-	1	-	-	-	4	1,669	20,520
75,001	76,000	-	-	-	1	-	1	-	-	1	-	-	-	3	1,672	20,747
76,001	77,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,673	20,823
77,001	78,000	-	1	-	-	-	-	-	-	-	-	-	-	2	1,675	20,978
78,001	79,000	-	-	-	1	1	-	-	-	-	2	-	-	4	1,679	21,292
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	5	1,684	21,690
80,001	81,000	1	-	-	-	-	-	1	-	1	1	-	-	1	1,685	21,770
81,001	82,000	-	-	-	-	-	1	-	-	-	-	-	-	1	1,686	21,852
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,687	21,934

Chaparral City Water Company
Test Year Ended December 31, 2006
34 Inch Irrigation

Exhibit
Schedule H-5
Page 15
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	1	-	2	1,689	22,101
84,001	85,000	-	-	-	-	-	1	-	-	-	-	-	-	1	1,690	22,186
85,001	86,000	-	-	1	-	-	-	-	-	1	-	-	-	2	1,692	22,357
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	1	1	1,693	22,443
87,001	88,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,694	22,531
88,001	89,000	-	-	-	-	-	-	-	1	-	-	-	-	1	1,695	22,619
89,001	90,000	-	-	-	-	-	-	-	1	-	-	-	-	2	1,697	22,798
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,697	22,798
91,001	92,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,698	22,890
92,001	93,000	-	1	-	-	-	-	1	-	-	-	-	-	3	1,701	23,167
93,001	94,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,702	23,261
94,001	95,000	1	-	-	-	-	-	-	-	-	-	-	-	1	1,703	23,355
95,001	96,000	-	1	-	-	-	-	-	-	-	-	-	-	1	1,704	23,451
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,705	23,547
97,001	98,000	-	-	-	1	-	-	-	-	-	-	-	-	1	1,708	23,840
98,001	99,000	-	-	-	-	-	-	-	-	-	-	1	-	3	1,708	23,840
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,708	23,840
100,001	101,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,709	24,066
101,001	102,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,710	24,170
102,001	103,000	-	-	-	1	-	-	-	-	-	-	-	-	1	1,711	24,273
103,001	104,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,712	24,478
104,001	105,000	1	-	-	-	-	-	-	-	-	-	-	-	1	1,713	24,703
105,001	106,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,714	24,922
106,001	107,000	-	-	-	-	-	-	-	1	-	-	-	-	2	1,716	25,138
107,001	108,000	-	-	-	-	-	1	-	-	1	-	-	-	1	1,717	25,358
108,001	109,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,718	25,471
109,001	110,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,719	25,627
110,001	111,000	-	-	-	-	-	-	-	-	-	-	-	1	1	1,720	25,771
111,001	112,000	1	-	-	-	-	-	-	-	-	-	-	-	2	1,722	25,983
112,001	113,000	-	-	-	-	-	-	-	-	2	-	-	-	1	1,723	26,114
113,001	114,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,724	26,278
114,001	115,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,725	26,506
115,001	116,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,726	26,661
116,001	117,000	-	-	-	-	-	1	-	-	-	-	-	-	1	1,727	26,779
117,001	118,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,728	26,896
118,001	119,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,729	27,067
119,001	120,000	-	-	-	-	-	-	-	1	-	-	-	-	1	1,730	27,186
120,001	121,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,731	27,339
121,001	122,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,732	27,466
122,001	123,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,733	27,586
123,001	124,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,734	27,712
124,001	125,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
125,001	126,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
126,001	127,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
127,001	128,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
128,001	129,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
129,001	130,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
130,001	131,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
131,001	132,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
132,001	133,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
133,001	134,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
134,001	135,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
135,001	136,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
136,001	137,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
137,001	138,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
138,001	139,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
139,001	140,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
140,001	141,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
141,001	142,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
142,001	143,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
143,001	144,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
144,001	145,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
145,001	146,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
146,001	147,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
147,001	148,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
148,001	149,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861
149,001	150,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,735	27,861

Chaparral City Water Company
Test Year Ended December 31, 2006
34 Inch Irrigation

Exhibit
Schedule H-5
Page 15
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
110,000	110,000	-	-	-	-	-	-	-	1	-	-	-	-	1	1,736	27,971
130,000	130,000	-	-	-	-	-	-	-	-	-	-	1	-	1	1,737	28,101
152,000	152,000	-	-	-	-	-	-	-	-	-	-	-	1	1	1,738	28,253
273,000	273,000	-	-	-	-	-	1	-	-	-	-	-	-	1	1,739	28,526
147,000	147,000	1	-	-	-	-	-	-	-	-	-	-	-	1	1,740	28,673
210,000	210,000	-	1	-	-	-	-	-	-	-	-	-	-	1	1,741	28,883
167,000	167,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,742	29,050
114,000	114,000	-	-	-	-	-	1	-	-	-	-	-	-	1	1,743	29,164
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,743	29,164
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,743	29,164
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,743	29,164
Totals		144	144	144	144	144	145	145	146	146	147	147	147	1,743	Median Billing	
														16,732		
														8,500		
														145		
														3		

Average Usage
Median Usage
Average # Customers
Change in Number of Customers

Chaparral City Water Company
Test Year Ended December 31, 2006

Meter Size:
1 Inch Irrigation

Exhibit
Schedule H-5
Page 16
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	23	29	28	32	33	26	20	17	23	25	32	23	311	311	-
1,001	2,000	7	4	7	8	4	2	5	5	9	4	4	5	61	372	31
2,001	3,000	8	6	7	6	4	7	6	3	3	2	2	6	66	438	130
3,001	4,000	5	4	6	7	4	3	2	5	2	5	2	2	7	490	260
4,001	5,000	7	4	2	6	3	3	1	6	3	8	8	6	57	547	459
5,001	6,000	7	6	6	1	2	1	2	1	3	5	5	6	44	591	657
6,001	7,000	7	3	4	4	5	4	1	2	3	3	6	6	48	639	921
7,001	8,000	7	6	6	6	3	5	4	3	7	5	8	4	64	703	1,337
8,001	9,000	5	7	2	3	6	2	5	3	4	4	4	9	54	757	1,742
9,001	10,000	4	3	6	7	3	3	3	4	4	6	2	6	51	808	2,176
10,001	11,000	2	1	4	3	8	6	3	3	5	4	4	4	46	854	2,613
11,001	12,000	2	1	2	5	3	1	2	3	1	3	1	5	29	883	2,917
12,001	13,000	2	5	3	1	3	3	2	1	2	2	2	1	26	909	3,216
13,001	14,000	3	2	6	1	4	5	-	1	2	1	5	6	36	945	3,666
14,001	15,000	4	2	4	3	3	1	4	-	-	2	2	2	27	972	4,031
15,001	16,000	6	6	4	2	2	-	1	5	-	1	2	1	30	1,002	4,466
16,001	17,000	-	2	1	3	5	3	1	3	-	4	3	4	29	1,031	4,915
17,001	18,000	3	4	1	2	3	5	5	3	-	3	2	3	38	1,069	5,542
18,001	19,000	1	1	2	3	2	4	2	2	2	2	2	3	29	1,098	6,050
19,001	20,000	5	3	3	1	1	3	2	2	2	5	5	3	35	1,133	6,697
20,001	21,000	-	2	5	3	-	2	4	2	2	2	2	1	25	1,158	7,185
21,001	22,000	-	1	3	3	-	3	3	1	2	3	1	3	23	1,181	7,656
22,001	23,000	-	1	-	2	1	4	1	3	3	3	-	1	19	1,200	8,065
23,001	24,000	1	3	3	3	1	2	3	2	2	2	1	2	25	1,225	8,627
24,001	25,000	1	1	4	1	2	2	2	1	2	1	1	1	19	1,244	9,074
25,001	26,000	1	2	1	1	4	3	1	1	1	-	1	-	16	1,260	9,466
26,001	27,000	-	5	-	1	-	1	2	1	-	4	2	2	17	1,277	9,899
27,001	28,000	-	-	-	1	1	3	1	2	3	-	2	4	17	1,294	10,350
28,001	29,000	3	1	-	-	-	3	3	2	4	1	1	3	21	1,315	10,928
29,001	30,000	2	-	1	-	2	1	-	-	2	1	-	-	14	1,329	11,327
30,001	31,000	1	3	-	1	1	-	1	-	3	-	1	-	10	1,339	11,622
31,001	32,000	1	2	1	2	1	1	2	-	-	1	-	-	10	1,349	11,927
32,001	33,000	1	2	1	1	-	-	1	1	3	1	-	-	13	1,362	12,336
33,001	34,000	2	-	-	1	-	-	1	2	1	1	-	1	9	1,371	12,629
34,001	35,000	1	-	-	1	1	-	1	2	1	-	2	2	11	1,382	12,997
35,001	36,000	-	1	1	-	3	-	-	-	-	-	-	-	7	1,389	13,239
36,001	37,000	-	-	-	-	1	-	2	-	-	-	2	1	9	1,398	13,558
37,001	38,000	-	1	1	1	2	-	-	1	2	1	-	1	9	1,407	13,887
38,001	39,000	-	-	-	-	1	1	-	-	-	-	2	1	6	1,413	14,112
39,001	40,000	-	1	2	-	1	-	2	-	-	1	-	-	7	1,420	14,381
40,001	41,000	-	1	1	1	3	-	1	-	-	-	-	-	7	1,427	14,658
		1	1	-	1	3	3	1	2	-	2	-	-	15	1,442	15,265

Chaparral City Water Company
 Test Year Ended December 31, 2006
 1 Inch Irrigation

Exhibit
 Schedule H-5
 Page 16
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	1	-	-	3	1	2	-	1	-	1	2	-	11	1,453	15,722
42,001	43,000	1	1	1	2	1	2	-	2	-	5	-	2	16	1,469	16,402
43,001	44,000	1	2	1	1	1	-	1	2	-	-	1	-	11	1,480	16,880
44,001	45,000	1	2	1	1	-	-	-	-	-	-	-	1	12	1,492	17,414
45,001	46,000	-	-	-	2	-	2	-	1	-	1	2	-	10	1,502	17,869
46,001	47,000	1	-	-	-	2	1	2	1	-	1	1	-	10	1,512	18,334
47,001	48,000	1	1	1	1	-	1	1	1	-	1	1	-	11	1,523	18,857
48,001	49,000	2	-	1	1	1	-	3	3	-	1	-	3	12	1,535	19,439
49,001	50,000	-	1	-	-	3	2	-	1	-	1	1	1	12	1,547	20,033
50,001	51,000	-	1	1	2	1	-	2	-	4	-	-	-	10	1,557	20,538
51,001	52,000	-	-	-	1	2	-	1	2	2	-	2	-	10	1,567	21,053
52,001	53,000	2	-	-	1	1	-	2	1	2	-	-	-	8	1,575	21,473
53,001	54,000	1	-	-	-	1	-	1	1	1	-	2	1	8	1,583	21,901
54,001	55,000	-	2	2	1	1	-	-	-	-	-	1	2	7	1,590	22,282
55,001	56,000	-	2	1	1	1	-	1	1	-	-	-	-	6	1,596	22,615
56,001	57,000	3	1	-	-	-	-	-	1	3	-	-	-	9	1,605	23,124
57,001	58,000	1	-	-	1	1	-	-	2	-	1	2	1	9	1,614	23,641
58,001	59,000	1	-	1	-	-	-	4	1	-	1	-	-	9	1,623	24,168
59,001	60,000	-	1	1	1	-	1	1	1	2	-	-	-	8	1,631	24,644
60,001	61,000	-	-	1	1	-	-	1	1	1	-	-	-	6	1,637	25,007
61,001	62,000	-	1	-	-	-	-	1	1	-	1	-	1	5	1,642	25,314
62,001	63,000	-	2	-	-	-	-	-	-	-	1	1	2	8	1,650	25,814
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	2	1,652	25,941
64,001	65,000	1	-	1	1	-	-	-	1	-	-	-	-	4	1,656	26,199
65,001	66,000	-	-	1	1	-	-	1	1	-	-	-	-	9	1,665	26,789
66,001	67,000	-	-	1	1	-	3	1	2	-	1	-	-	6	1,671	27,188
67,001	68,000	1	-	-	1	1	-	-	1	1	1	1	1	7	1,678	27,660
68,001	69,000	-	1	1	-	-	-	1	1	2	1	-	-	5	1,683	28,003
69,001	70,000	1	1	1	1	-	-	-	3	2	2	1	-	12	1,695	28,837
70,001	71,000	-	2	1	1	1	-	-	2	1	-	-	-	10	1,705	29,542
71,001	72,000	1	-	-	1	1	-	-	1	-	-	-	-	4	1,709	29,828
72,001	73,000	-	-	-	1	-	-	-	-	-	-	-	-	3	1,712	30,045
73,001	74,000	1	-	-	1	1	-	-	-	1	-	-	-	4	1,716	30,339
74,001	75,000	-	1	-	-	-	-	-	-	-	-	-	2	3	1,719	30,563
75,001	76,000	-	-	1	1	3	-	-	-	-	-	-	-	7	1,726	31,091
76,001	77,000	-	2	2	-	1	-	-	-	-	-	-	-	5	1,731	31,474
77,001	78,000	-	1	-	-	-	-	1	-	-	-	1	-	4	1,735	31,784
78,001	79,000	-	1	-	-	-	-	1	-	-	-	1	-	4	1,739	32,098
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	1	1	1,740	32,177
80,001	81,000	1	-	-	-	1	-	-	1	-	-	-	-	4	1,744	32,499
81,001	82,000	1	-	-	1	-	-	1	1	-	1	-	-	7	1,751	33,070
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	2	1,753	33,235

Chaparral City Water Company
 Test Year Ended December 31, 2006
 1 Inch Irrigation

Exhibit
 Schedule H-5
 Page 16
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	1	-	-	-	-	-	3	-	1	-	-	-	7	1,760	33,819
84,001	85,000	-	-	-	1	-	-	-	-	-	-	-	1	3	1,763	34,073
85,001	86,000	-	1	-	-	-	-	1	-	-	1	-	-	4	1,767	34,415
86,001	87,000	1	-	1	-	-	-	2	-	-	-	-	1	5	1,772	34,847
87,001	88,000	-	-	-	-	-	-	-	1	-	-	-	-	2	1,774	35,022
88,001	89,000	2	-	-	2	-	-	-	-	1	-	1	-	6	1,780	35,553
89,001	90,000	-	-	-	-	-	-	1	-	-	1	-	-	1	1,781	35,643
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	2	1,783	35,824
91,001	92,000	1	-	1	-	-	-	2	-	-	-	-	-	6	1,789	36,373
92,001	93,000	-	-	-	-	-	-	-	-	1	-	-	-	3	1,792	36,650
93,001	94,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,793	36,744
94,001	95,000	1	1	-	-	-	-	-	-	-	-	2	-	6	1,799	37,311
95,001	96,000	-	-	-	-	-	-	1	-	1	1	-	-	5	1,804	37,788
96,001	97,000	-	-	-	-	-	-	-	1	1	-	-	-	1	1,805	37,885
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,806	37,982
98,001	99,000	1	-	2	-	-	-	-	-	-	2	-	-	8	1,814	38,770
99,001	100,000	-	-	-	-	1	-	1	-	-	-	-	2	5	1,819	39,268
100,000	100,000	-	-	-	-	-	-	-	1	-	-	-	-	2	1,821	39,468
267,000	267,000	1	-	-	1	-	-	-	-	-	-	-	1	3	1,824	40,269
105,000	105,000	-	-	-	1	2	-	-	-	-	-	-	-	5	1,829	40,794
123,000	123,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,830	40,917
233,000	233,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,831	41,150
288,000	288,000	-	-	-	-	-	-	-	1	-	-	-	-	1	1,832	41,438
304,000	304,000	-	-	-	-	-	-	-	-	-	-	-	-	2	1,834	42,046
334,000	334,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,835	42,380
242,000	242,000	-	-	-	-	-	-	-	-	-	-	-	1	1	1,836	42,622
206,000	206,000	-	1	-	-	-	-	1	-	-	-	-	-	3	1,839	43,240
142,000	142,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,840	43,382
387,000	387,000	1	-	-	-	-	-	-	1	-	-	-	-	2	1,842	44,156
158,000	158,000	-	-	-	1	-	-	1	-	-	-	-	-	3	1,845	44,630
115,000	115,000	-	-	-	-	-	-	-	-	-	-	-	-	4	1,849	45,090
298,000	298,000	-	1	-	-	1	-	-	-	-	-	-	-	1	1,850	45,207
309,000	309,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,851	45,505
301,000	301,000	-	-	-	-	-	-	-	-	-	-	-	-	2	1,853	46,123
515,000	515,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,854	46,424
651,000	651,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,855	46,939
411,000	411,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,856	47,590
173,000	173,000	1	-	-	-	-	-	-	-	-	-	1	-	3	1,859	48,823
149,000	149,000	-	-	1	-	-	-	-	-	-	-	-	-	1	1,860	48,996
111,000	111,000	-	-	-	-	-	-	1	-	-	-	-	-	3	1,863	49,443
185,000	185,000	-	-	-	-	-	-	-	1	-	-	-	-	2	1,865	49,665
		-	-	-	-	-	-	-	-	-	-	-	-	2	1,867	50,035

Chaparral City Water Company
Test Year Ended December 31, 2006

Meter Size: 1 Inch Irrigation

Exhibit
Schedule H-5
Page 16
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
159,000	159,000	-	-	-	-	-	-	-	-	-	1	1	-	3	1,870	50,512
122,000	122,000	-	-	-	-	-	-	-	-	-	1	-	-	1	1,871	50,634
443,000	443,000	-	-	-	-	-	-	-	-	-	-	-	1	1	1,872	51,077
612,000	612,000	1	-	-	-	-	-	1	1	-	-	-	-	3	1,875	52,913
140,000	140,000	-	1	-	-	-	-	-	1	-	-	-	-	2	1,877	53,193
131,000	131,000	-	1	-	-	-	-	-	-	-	-	-	-	1	1,878	53,324
331,000	331,000	-	-	1	-	-	1	-	-	-	-	-	-	2	1,880	53,986
188,000	188,000	-	-	-	-	-	1	-	-	-	-	-	-	2	1,882	54,362
182,000	182,000	-	-	-	-	-	-	1	-	-	-	-	1	2	1,884	54,726
130,000	130,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,885	54,856
178,000	178,000	-	-	-	-	-	-	-	1	-	-	-	-	5	1,890	55,746
104,000	104,000	-	-	-	-	1	-	-	1	-	-	-	-	2	1,892	55,954
121,000	121,000	-	-	-	-	-	-	-	-	-	-	-	-	3	1,895	56,317
176,000	176,000	-	-	-	-	-	1	-	-	-	-	-	-	2	1,897	56,669
194,000	194,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,898	56,863
280,000	280,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,899	57,143
212,000	212,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,900	57,355
261,000	261,000	-	-	-	1	-	-	1	-	-	-	-	-	3	1,903	58,138
146,000	146,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,904	58,284
259,000	259,000	-	1	-	-	-	-	-	-	-	-	-	-	4	1,908	59,320
107,000	107,000	-	-	-	1	-	-	-	-	-	-	-	-	1	1,909	59,427
324,000	324,000	-	-	-	-	1	-	-	-	-	-	-	-	1	1,910	59,751
175,000	175,000	-	-	-	-	-	1	-	-	-	-	-	-	2	1,912	60,101
109,000	109,000	-	-	-	-	-	-	-	1	-	-	-	-	1	1,913	60,210
213,000	213,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,914	60,423
217,000	217,000	-	-	-	-	-	-	-	-	-	1	-	-	1	1,915	60,640
282,000	282,000	-	-	-	-	-	-	-	-	-	-	-	1	2	1,917	61,204
181,000	181,000	1	-	-	-	-	-	-	-	-	-	-	-	2	1,919	61,566
108,000	108,000	-	-	-	1	-	-	-	1	-	-	1	-	3	1,922	61,890
119,000	119,000	-	-	-	-	-	-	-	-	-	-	-	-	3	1,925	62,247
114,000	114,000	2	-	-	1	-	-	-	-	1	-	-	-	3	1,928	62,589
253,000	253,000	-	-	-	-	-	-	-	-	-	-	-	-	2	1,930	63,095
126,000	126,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,931	63,221
120,000	120,000	-	-	1	-	-	-	-	-	-	-	-	-	1	1,932	63,341
327,000	327,000	2	-	-	-	-	1	-	-	-	-	-	-	4	1,936	64,649
134,000	134,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,937	64,783
155,000	155,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,938	64,938
198,000	198,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,939	65,136
221,000	221,000	-	-	-	-	-	-	-	-	-	-	-	-	3	1,942	65,799
189,000	189,000	-	-	-	-	-	-	1	-	-	-	1	-	2	1,944	66,177
252,000	252,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,945	66,429
152,000	152,000	-	-	-	-	-	-	-	-	2	-	-	-	2	1,947	66,733

Chaparral City Water Company
Test Year Ended December 31, 2006

Meter Size: 1 Inch Irrigation

Exhibit
Schedule H-5
Page 16
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
167,000	167,000	-	-	-	-	-	-	-	-	-	-	1	1	2	1,949	67,067
255,000	255,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,950	67,322
250,000	250,000	-	-	-	-	-	-	-	1	-	-	-	-	1	1,951	67,572
227,000	227,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,952	67,799
231,000	231,000	-	-	-	-	-	-	-	-	-	1	-	-	1	1,953	68,030
203,000	203,000	-	-	-	-	-	-	-	-	-	-	1	-	1	1,954	68,233
186,000	186,000	-	-	-	-	-	1	-	-	-	-	-	-	1	1,955	68,419
172,000	172,000	1	-	-	-	-	-	-	-	-	-	-	-	1	1,956	68,591
208,000	208,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,957	68,799
102,000	102,000	-	1	-	-	-	-	-	-	-	-	-	-	1	1,958	68,901
209,000	209,000	-	-	-	-	-	-	-	-	-	-	-	1	1	1,959	69,110
157,000	157,000	-	1	-	-	-	-	-	-	-	-	-	-	1	1,960	69,267
196,000	196,000	-	-	-	1	-	-	-	-	-	-	-	-	1	1,961	69,463
116,000	116,000	-	-	-	-	1	-	-	-	-	-	-	-	2	1,963	69,695
124,000	124,000	-	-	-	-	-	-	1	-	-	-	-	-	4	1,967	70,191
101,000	101,000	-	-	-	-	-	-	-	-	-	-	1	-	2	1,969	70,393
110,000	110,000	-	-	-	-	-	-	-	-	-	-	-	1	1	1,970	70,503
179,000	179,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,971	70,682
444,000	444,000	-	-	-	-	-	-	-	-	-	1	-	-	1	1,972	71,126
726,000	726,000	-	-	-	-	-	-	-	-	-	-	1	-	1	1,973	71,852
670,000	670,000	-	-	-	-	-	-	-	-	-	-	-	1	1	1,974	72,522
238,000	238,000	-	-	-	-	-	-	-	1	-	-	-	-	1	1,975	72,760
275,000	275,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,976	73,035
279,000	279,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,977	73,314
143,000	143,000	-	-	-	-	-	-	-	-	-	1	-	-	1	1,978	73,457
125,000	125,000	-	-	-	-	-	-	-	-	-	-	1	-	1	1,979	73,582
103,000	103,000	-	-	-	-	-	-	-	1	-	-	-	-	1	1,980	73,685
349,000	349,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,981	74,034
439,000	439,000	-	-	-	-	-	-	-	-	-	1	-	-	2	1,983	74,912
219,000	219,000	-	-	-	1	-	-	-	-	-	-	-	-	3	1,986	75,569
118,000	118,000	-	-	-	-	-	-	-	-	-	-	1	-	1	1,987	75,687
266,000	266,000	-	-	-	-	-	-	-	-	-	-	1	-	1	1,988	75,953
112,000	112,000	-	-	-	-	-	-	-	1	-	1	-	-	2	1,990	76,177
136,000	136,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,991	76,313
151,000	151,000	1	-	-	-	-	-	-	-	-	-	-	-	1	1,992	76,464
168,000	168,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,993	76,632
166,000	166,000	-	-	-	1	-	-	-	-	-	-	-	-	1	1,994	76,798
246,000	246,000	-	-	-	-	-	-	-	-	-	-	1	-	1	1,995	77,044
307,000	307,000	-	-	-	-	-	-	-	-	-	-	-	1	1	1,996	77,351
254,000	254,000	-	-	-	-	-	-	-	1	-	1	-	-	3	1,999	78,113
138,000	138,000	1	-	-	-	-	-	-	-	-	-	-	-	1	2,000	78,251
164,000	164,000	-	1	-	-	-	-	-	-	1	-	-	-	2	2,002	78,579

Exhibit
Schedule H-5
Page 16
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
137,000	137,000	-	-	-	-	-	-	-	1	-	-	-	-	1	2,003	78,716
113,000	113,000	-	-	-	-	-	-	-	1	1	-	-	-	2	2,005	78,942
139,000	139,000	-	-	-	-	-	-	1	-	-	-	1	-	3	2,008	79,359
132,000	132,000	-	-	-	-	-	-	1	-	-	-	-	-	1	2,009	79,491
129,000	129,000	-	-	-	-	-	-	-	-	-	-	-	1	1	2,010	79,620
197,000	197,000	-	-	-	-	-	-	-	-	2	-	-	-	2	2,012	80,014
170,000	170,000	-	-	-	-	-	-	-	-	-	1	-	-	1	2,013	80,184
247,000	247,000	-	-	-	-	-	-	-	-	-	-	1	-	1	2,014	80,431
262,000	262,000	-	-	-	-	-	-	-	-	-	-	-	-	1	2,015	80,693
165,000	165,000	-	-	-	-	1	-	-	-	1	-	-	-	1	2,016	80,858
319,000	319,000	-	-	-	-	-	-	-	-	-	1	-	-	1	2,017	81,177
273,000	273,000	-	-	-	-	-	-	-	-	-	-	1	-	1	2,018	81,450
276,000	276,000	-	-	-	-	-	-	-	-	1	-	-	-	1	2,019	81,726
216,000	216,000	-	-	-	-	-	-	-	1	-	1	-	-	2	2,021	82,158
150,000	150,000	-	-	-	-	-	-	1	-	-	-	-	-	1	2,022	82,308
199,000	199,000	-	-	-	-	-	-	1	-	-	-	-	-	1	2,023	82,507
128,000	128,000	-	-	-	-	1	-	-	-	-	-	-	-	1	2,024	82,635
161,000	161,000	-	-	-	-	-	1	-	-	-	-	-	-	1	2,025	82,796
222,000	222,000	-	-	-	-	-	-	-	-	-	-	-	-	1	2,026	83,018
106,000	106,000	-	-	-	-	-	-	1	-	-	-	-	-	1	2,027	83,124
348,000	348,000	-	-	-	1	-	-	1	-	-	-	-	-	1	2,028	83,472
191,000	191,000	-	-	-	-	-	1	-	-	1	-	-	-	2	2,030	83,854
160,000	160,000	-	-	-	-	-	-	-	1	-	-	-	-	1	2,031	84,014
336,000	336,000	-	-	-	-	-	-	-	-	-	-	-	-	1	2,032	84,350
485,000	485,000	-	-	-	-	-	-	-	-	-	-	1	-	1	2,033	84,835
148,000	148,000	-	-	-	-	-	-	-	-	-	-	-	-	1	2,034	84,983
192,000	192,000	-	-	-	-	-	-	-	-	-	1	-	-	-	2,034	84,983
Totals		166	166	169	167	167	167	167	169	171	173	176	176	2,034	Median Billing	84,983
														41,781		
														15,500		
														170		
														10		
														Average Usage		
														Median Usage		
														Average # Customers		
														Change in Number of Customers		

Chaparral City Water Company
Test Year Ended December 31, 2006
15 Inch Irrigation

Exhibit
Schedule H-5
Page 17
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	12	8	10	8	11	6	7	6	9	5	8	9	99	99	-
2,001	2,000	2	8	2	5	2	2	1	3	1	2	4	-	32	131	16
3,001	3,000	1	-	3	2	-	1	2	2	3	2	-	4	20	151	46
4,001	4,000	6	5	4	3	4	3	2	2	-	2	3	1	35	186	134
5,001	5,000	3	4	4	3	3	2	2	1	2	2	-	-	26	212	225
6,001	6,000	2	2	1	2	-	2	2	3	2	-	-	1	17	229	301
7,001	7,000	1	-	2	2	2	-	-	-	1	1	2	2	13	242	373
8,001	8,000	-	1	1	1	2	-	-	1	1	2	1	1	10	252	438
9,001	9,000	1	1	-	-	1	1	-	-	1	2	2	-	13	265	535
10,001	10,000	2	1	1	2	-	2	1	2	1	-	-	4	10	275	620
11,001	11,000	-	1	2	-	2	1	-	4	-	1	2	2	15	303	901
12,001	12,000	1	1	1	3	4	1	1	-	-	3	2	2	19	322	1,120
13,001	13,000	-	-	1	2	-	1	2	3	-	4	-	1	14	336	1,295
14,001	14,000	-	-	-	-	-	3	4	-	-	1	2	3	13	349	1,470
15,001	15,000	1	-	1	2	-	-	-	-	2	2	1	1	10	359	1,615
16,001	16,000	-	-	-	-	2	1	-	2	1	1	2	2	11	370	1,786
17,001	17,000	-	-	-	1	-	2	-	-	1	-	-	-	5	375	1,868
18,001	18,000	-	1	-	-	-	-	1	-	3	-	-	-	5	380	1,956
19,001	19,000	-	-	-	-	-	-	-	-	-	2	1	1	7	387	2,085
20,001	20,000	-	-	1	-	-	1	1	-	-	-	1	-	4	391	2,163
21,001	21,000	-	1	2	-	-	-	-	-	-	-	1	-	5	396	2,266
22,001	22,000	1	-	1	-	-	1	-	-	-	-	-	-	3	399	2,330
23,001	23,000	-	-	1	-	1	-	-	-	-	-	-	1	3	402	2,398
24,001	24,000	-	2	-	-	-	-	-	-	-	1	-	-	3	405	2,468
25,001	25,000	2	-	-	-	1	1	-	2	2	-	-	-	8	413	2,664
26,001	26,000	-	2	-	-	-	-	-	1	-	1	-	1	5	418	2,792
27,001	27,000	1	-	-	-	-	-	-	-	-	-	-	-	2	420	2,845
28,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	1	421	2,872
29,001	29,000	-	1	-	1	-	-	-	3	-	-	2	-	7	428	3,072
30,001	30,000	1	1	2	-	1	-	1	-	1	1	-	-	8	436	3,308
31,001	31,000	-	1	-	-	1	1	2	-	-	3	-	1	9	445	3,582
32,001	32,000	-	-	1	-	-	-	-	-	-	-	-	-	2	447	3,645
33,001	33,000	-	1	-	-	3	-	-	-	-	-	-	-	6	453	3,840
34,001	34,000	3	-	-	-	1	-	1	-	-	-	1	-	6	459	4,041
35,001	35,000	-	1	-	-	-	-	-	-	-	2	-	-	7	466	4,283
36,001	36,000	-	-	-	-	-	-	-	-	1	-	1	-	2	468	4,354
37,001	37,000	-	-	2	-	-	-	-	-	1	-	-	-	5	473	4,536
38,001	38,000	-	1	2	-	2	-	-	-	1	-	-	2	8	481	4,836

Chaparral City Water Company
Test Year Ended December 31, 2006
15 Inch Irrigation

Exhibit
Schedule H-5
Page 17
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
38,001	39,000	1	2	-	-	-	-	-	-	-	1	-	-	4	485	4,990
39,001	40,000	1	-	-	-	-	-	-	1	-	-	1	-	3	488	5,109
40,001	41,000	-	-	1	-	-	1	-	1	1	-	-	-	4	492	5,271
41,001	42,000	-	-	-	-	1	1	-	1	1	-	-	1	5	497	5,478
42,001	43,000	-	-	-	1	-	1	-	1	1	-	-	-	7	504	5,776
43,001	44,000	2	-	-	-	-	1	-	-	-	-	-	-	3	507	5,906
44,001	45,000	-	-	-	-	-	1	-	-	-	1	1	3	7	514	6,218
45,001	46,000	-	-	-	-	-	-	-	1	-	1	-	-	2	516	6,309
46,001	47,000	-	-	-	-	-	1	-	-	-	-	1	-	4	520	6,495
47,001	48,000	-	-	-	-	1	-	-	-	1	1	-	-	5	525	6,732
48,001	49,000	-	1	1	1	-	-	-	1	1	1	-	-	9	534	7,169
49,001	50,000	1	-	1	-	-	-	-	-	-	2	-	-	4	538	7,367
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	2	4	542	7,569
51,001	52,000	-	-	-	-	-	-	-	1	-	-	-	-	1	543	7,620
52,001	53,000	-	-	-	-	-	1	1	-	-	-	-	-	3	546	7,778
53,001	54,000	-	1	-	-	1	-	-	-	-	-	-	1	4	550	7,992
54,001	55,000	-	-	-	-	-	1	-	-	-	-	-	-	2	552	8,101
55,001	56,000	-	-	-	-	-	-	1	-	1	-	1	-	3	555	8,267
56,001	57,000	1	-	2	-	1	-	-	-	-	-	1	-	8	563	8,719
57,001	58,000	-	1	-	-	-	-	-	-	-	-	-	-	1	564	8,777
58,001	59,000	-	1	-	-	-	-	-	-	-	1	-	-	3	567	8,952
59,001	60,000	-	-	-	1	-	-	-	3	2	-	-	-	6	573	9,309
60,001	61,000	-	-	-	-	-	-	1	-	-	1	-	-	2	575	9,430
61,001	62,000	-	-	-	-	-	1	1	-	-	-	-	-	2	577	9,553
62,001	63,000	-	-	-	-	1	-	-	-	-	-	-	-	3	580	9,741
63,001	64,000	-	-	-	-	-	1	2	-	-	-	-	1	2	582	9,868
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	582	9,868
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	4	586	10,130
66,001	67,000	2	-	-	-	-	-	1	-	-	-	-	-	3	589	10,329
67,001	68,000	-	-	-	-	-	1	-	-	-	-	1	-	2	591	10,464
68,001	69,000	-	-	-	1	-	-	-	-	-	-	-	-	3	594	10,670
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	1	595	10,739
70,001	71,000	-	-	-	-	1	-	-	-	-	-	-	1	3	598	10,951
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	598	10,951
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	1	599	11,023
73,001	74,000	-	-	-	-	-	1	-	-	-	-	-	-	1	600	11,097
74,001	75,000	1	-	-	-	-	-	2	-	-	-	-	-	5	605	11,469
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	1	1	606	11,545
76,001	77,000	-	1	-	-	-	-	-	-	-	-	-	-	1	607	11,621

Chaparral City Water Company
Test Year Ended December 31, 2006
15 Inch Irrigation

Exhibit
Schedule H-5
Page 17
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
77,001	78,000	-	1	-	1	-	-	-	-	1	-	-	-	3	610	11,854
78,001	79,000	-	-	-	1	-	-	-	1	-	-	-	-	4	614	12,168
79,001	80,000	-	-	1	-	1	-	-	-	-	-	-	-	4	618	12,486
80,001	81,000	-	-	1	-	-	-	-	-	-	-	-	-	2	620	12,647
81,001	82,000	-	-	-	-	-	1	-	-	-	-	1	-	2	622	12,810
82,001	83,000	-	-	-	-	-	1	-	-	-	-	-	-	2	624	12,975
83,001	84,000	-	-	-	-	-	1	-	-	-	-	-	-	1	625	13,058
84,001	85,000	1	-	-	-	-	-	-	-	1	-	-	-	2	627	13,227
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	627	13,227
86,001	87,000	-	-	-	1	2	-	-	-	-	-	-	-	3	630	13,487
87,001	88,000	-	-	1	-	-	-	-	-	-	-	-	-	2	632	13,662
88,001	89,000	-	1	-	-	-	1	-	-	-	-	-	-	1	633	13,750
89,001	90,000	-	-	-	-	1	-	-	-	-	-	-	1	2	635	13,929
90,001	91,000	-	-	-	-	1	-	-	-	-	-	-	-	1	636	14,020
91,001	92,000	-	-	-	-	-	-	1	-	-	-	-	-	1	637	14,111
92,001	93,000	-	-	1	-	-	1	-	-	-	-	-	-	6	643	14,666
93,001	94,000	1	-	-	1	-	-	-	2	-	-	-	-	4	647	15,040
94,001	95,000	-	1	-	-	-	-	-	1	-	-	-	-	3	650	15,324
95,001	96,000	-	-	-	-	-	-	-	-	1	-	-	1	1	651	15,419
96,001	97,000	-	-	-	1	-	-	-	-	-	-	-	-	2	653	15,612
97,001	98,000	-	-	-	-	-	-	1	-	-	-	-	-	1	654	15,710
98,001	99,000	-	-	-	-	-	-	-	1	-	-	-	-	1	655	15,809
99,001	100,000	-	-	-	-	-	-	1	-	-	-	-	-	2	657	16,009
100,000	100,000	-	-	-	1	-	-	-	-	-	-	-	-	1	658	16,181
172,000	172,000	1	-	-	-	-	-	-	-	-	-	-	1	2	660	16,397
108,000	108,000	-	-	-	-	-	-	1	-	-	-	-	-	1	661	16,501
104,000	104,000	-	-	-	-	-	-	1	-	-	-	-	-	2	663	16,789
144,000	144,000	-	1	-	-	-	-	-	-	-	-	-	-	1	664	16,980
191,000	191,000	-	-	-	-	-	1	-	-	-	-	-	-	1	665	17,161
181,000	181,000	-	-	-	-	-	1	-	-	-	-	-	-	1	666	17,273
112,000	112,000	-	-	-	-	-	1	-	-	-	-	-	-	1	667	17,681
408,000	408,000	-	-	-	1	-	-	-	-	-	-	-	-	1	668	17,835
154,000	154,000	-	-	-	-	-	-	-	-	-	-	-	-	1	669	17,957
122,000	122,000	-	1	-	-	-	-	-	-	-	-	-	-	1	670	18,433
476,000	476,000	-	1	-	-	-	-	-	-	-	-	-	-	2	672	18,773
170,000	170,000	-	1	-	1	-	-	-	-	-	-	-	-	3	675	19,295
174,000	174,000	1	-	-	-	-	-	-	-	-	1	-	-	2	677	19,669
187,000	187,000	-	-	-	1	-	-	-	-	-	-	-	-	1	678	19,835
166,000	166,000	-	1	-	-	-	-	-	-	-	-	-	-	1		

Chaparral City Water Company
Test Year Ended December 31, 2006
15 Inch Irrigation

Exhibit
Schedule H-5
Page 17
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
146,000	146,000	-	1	-	-	-	-	-	1	-	-	-	-	2	680	20,127
150,000	150,000	-	-	-	-	-	-	1	-	-	-	-	-	2	682	20,427
150,000	150,000	-	-	-	-	-	-	-	1	-	-	-	-	2	683	20,696
269,000	269,000	-	-	-	-	-	-	-	-	-	-	-	-	1	685	21,194
249,000	249,000	-	-	-	-	-	-	-	-	-	-	-	-	2	687	21,622
214,000	214,000	-	-	-	1	-	-	-	-	-	-	-	-	2	688	21,841
219,000	219,000	-	-	-	-	-	-	1	-	-	-	-	-	5	693	24,451
522,000	522,000	-	-	-	1	-	-	-	2	1	-	-	-	1	694	24,592
141,000	141,000	-	-	-	-	-	-	1	-	-	-	-	-	1	695	25,447
855,000	855,000	-	-	-	-	-	-	-	-	-	-	-	-	1	696	25,811
364,000	364,000	-	-	-	-	-	-	-	-	-	-	-	-	1	697	26,686
875,000	875,000	1	-	-	-	-	-	-	-	-	-	-	-	3	700	27,190
168,000	168,000	-	-	1	-	-	-	1	-	-	-	-	-	1	701	27,338
148,000	148,000	-	-	-	-	-	-	-	-	-	-	-	-	2	703	27,558
110,000	110,000	-	-	-	-	-	-	-	-	1	-	-	-	2	705	27,910
176,000	176,000	1	-	-	-	-	-	-	-	-	-	-	-	2	707	28,488
289,000	289,000	-	-	-	-	-	-	-	-	-	-	-	-	2	709	28,692
102,000	102,000	-	-	-	-	-	-	-	-	-	-	-	-	1	710	28,859
167,000	167,000	-	-	-	-	-	-	-	-	-	-	-	-	2	712	29,255
198,000	198,000	-	-	-	-	-	-	-	-	-	-	-	-	1	713	29,536
281,000	281,000	-	-	-	-	-	-	1	-	-	-	-	-	2	715	29,994
229,000	229,000	1	-	-	-	-	-	-	-	-	-	-	-	2	717	30,226
116,000	116,000	-	-	-	-	-	-	-	-	-	-	-	-	1	718	30,485
259,000	259,000	1	-	-	-	-	-	-	-	-	-	-	-	1	719	30,864
379,000	379,000	1	-	-	-	-	-	-	-	-	-	-	-	1	720	31,102
238,000	238,000	-	-	1	-	-	-	-	-	-	-	-	-	2	722	31,502
200,000	200,000	-	-	2	-	-	-	-	-	-	-	-	-	2	724	31,950
224,000	224,000	-	-	-	-	-	-	-	-	-	-	-	-	1	725	32,165
215,000	215,000	-	-	-	-	-	-	1	-	-	-	-	-	2	727	32,969
402,000	402,000	-	-	-	-	-	-	-	-	-	-	-	-	2	729	33,181
106,000	106,000	1	-	-	-	-	-	-	-	-	-	-	-	1	730	33,352
171,000	171,000	-	-	-	-	-	-	-	-	-	-	-	-	3	733	34,735
461,000	461,000	-	-	-	-	-	-	-	-	-	-	-	-	2	735	35,019
142,000	142,000	-	-	-	-	-	-	-	-	-	-	-	-	1	736	35,184
165,000	165,000	-	-	-	-	-	-	-	-	-	-	-	-	2	738	35,460
138,000	138,000	-	-	-	-	-	-	-	-	-	-	-	-	1	739	35,594
134,000	134,000	-	-	-	-	-	-	-	-	-	-	-	-	1	740	36,025
431,000	431,000	-	-	1	-	-	-	-	-	-	-	-	-	1	741	36,257
232,000	232,000	-	-	1	-	-	-	-	-	-	-	-	-	1	742	36,386
129,000	129,000	1	-	-	-	-	-	-	-	-	-	-	-	1		

Chaparral City Water Company
Test Year Ended December 31, 2006
15 Inch Irrigation

Exhibit
Schedule H-5
Page 17
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
153,000	153,000	1												1	743	36,539
145,000	145,000									1				1	744	36,684
534,000	534,000								1					1	745	37,218
472,000	472,000									1				1	746	37,690
300,000	300,000									1				1	747	37,990
189,000	189,000									1				1	748	38,179
308,000	308,000									1				1	749	38,487
239,000	239,000									1				1	750	38,726
273,000	273,000									1				1	751	38,999
256,000	256,000									1				1	752	39,255
143,000	143,000			1						1				2	754	39,541
107,000	107,000									1				1	755	39,648
178,000	178,000					1								1	756	39,826
258,000	258,000						1							1	757	40,084
1,028,000	1,028,000					1								1	758	41,112
105,000	105,000			1										2	760	41,322
327,000	327,000						1							1	761	41,649
487,000	487,000			1					1					3	764	43,110
113,000	113,000					1					1			1	765	43,223
237,000	237,000												1	2	767	43,697
135,000	135,000					1								1	768	43,832
246,000	246,000					1						1		2	770	44,324
218,000	218,000					1								1	771	44,542
1,227,000	1,227,000											1		1	772	45,769
111,000	111,000									1				2	774	45,991
346,000	346,000				1									1	775	46,337
1,090,000	1,090,000				1									2	777	48,517
203,000	203,000													1	778	48,720
128,000	128,000													1	779	48,848
177,000	177,000													1	780	49,025
216,000	216,000													1	781	49,241
530,000	530,000													1	782	49,771
343,000	343,000													2	784	50,457
192,000	192,000												2	1	785	50,649
342,000	342,000					1								1	786	50,991
348,000	348,000													1	787	51,339
220,000	220,000	1												2	789	51,779
179,000	179,000													1	790	51,958
202,000	202,000													1	791	52,160

Exhibit
Schedule H-5
Page 17
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
		Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06			
295,000	295,000	-	-	-	-	-	-	-	-	1	-	-	1	792	52,455
131,000	131,000	1	-	-	-	-	-	-	-	1	-	-	2	794	52,717
250,000	250,000	-	-	-	-	-	-	-	-	1	-	-	1	795	52,967
221,000	221,000	-	-	-	-	-	1	-	-	-	-	-	1	796	53,188
124,000	124,000	-	-	-	-	1	-	-	-	-	-	-	1	797	53,312
245,000	245,000	-	-	-	-	-	-	1	-	-	-	-	1	798	53,557
101,000	101,000	-	-	-	-	-	-	1	-	-	-	-	1	799	53,658
5,154,000	5,154,000	-	-	-	-	-	1	-	-	-	-	-	1	800	58,812
285,000	285,000	-	-	-	-	-	1	-	-	-	-	-	1	801	59,097
132,000	132,000	-	-	-	-	-	1	-	-	-	-	-	1	802	59,229
103,000	103,000	-	-	-	-	-	1	-	-	-	-	-	1	803	59,332
121,000	121,000	-	-	-	-	-	-	-	1	-	-	-	1	804	59,453
173,000	173,000	-	-	-	-	-	-	-	-	1	-	-	1	805	59,626
297,000	297,000	-	-	-	-	-	-	-	-	-	1	-	1	806	59,923
251,000	251,000	-	-	-	-	-	-	-	-	-	-	1	1	807	60,174
199,000	199,000	-	-	-	-	-	-	-	-	-	-	-	1	808	60,373
195,000	195,000	-	1	-	-	-	-	-	-	-	-	-	1	809	60,568
157,000	157,000	-	1	-	-	-	-	-	-	-	-	-	1	810	60,725
205,000	205,000	-	-	-	1	-	-	-	-	-	-	-	1	811	60,930
130,000	130,000	-	-	1	-	-	-	-	-	-	-	-	1	812	61,060
163,000	163,000	1	-	-	-	-	-	-	-	-	-	-	1	813	61,223
226,000	226,000	-	-	-	-	-	-	1	-	-	-	-	1	814	61,449
313,000	313,000	-	-	-	-	-	-	1	-	-	-	-	1	815	61,762
395,000	395,000	-	-	-	-	-	-	1	-	-	-	-	1	816	62,157
396,000	396,000	-	-	-	-	-	-	-	-	-	-	-	-	816	62,157
													-	816	62,157
													-	816	62,157
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													-	816	62,157
													-	816	62,157
													-	816	62,157

Chaparral City Water Company
 Test Year Ended December 31, 2006
 2 Inch Irrigation

Exhibit
 Schedule H-5
 Page 18
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	5	6	5	7	4	5	3	6	5	8	10	10	74	74	-
1	1,000	1	1	1	1	1	1	3	2	2	1	-	-	14	88	7
2,001	2,000	1	-	2	-	3	1	1	2	1	1	2	2	16	104	31
3,001	3,000	1	2	-	-	-	-	-	-	-	-	-	-	4	108	41
4,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	5	113	59
5,001	5,000	-	-	-	2	-	-	-	-	1	-	-	-	3	116	72
6,001	6,000	-	-	-	1	-	-	-	-	-	-	-	-	2	118	83
7,001	7,000	1	1	-	-	-	-	-	-	-	1	-	-	3	121	103
8,001	8,000	1	-	1	-	1	1	-	-	-	-	1	1	6	127	148
9,001	9,000	1	1	1	1	-	-	1	-	-	-	-	-	6	133	199
10,001	10,000	1	1	1	1	-	-	1	-	-	-	1	1	7	140	265
11,001	11,000	2	-	2	-	2	2	1	-	-	-	-	-	9	149	360
12,001	12,000	-	-	1	1	-	1	1	1	1	1	-	-	7	156	440
13,001	13,000	-	-	-	-	-	-	2	1	-	-	-	-	3	159	478
14,001	14,000	-	1	1	-	2	1	-	-	1	2	1	1	10	169	613
15,001	15,000	1	-	1	-	-	-	-	-	-	-	-	-	3	172	656
16,001	16,000	2	-	-	-	-	-	-	-	2	-	-	-	4	176	718
17,001	17,000	-	1	-	-	1	-	-	-	-	-	-	-	2	178	751
18,001	18,000	-	2	-	-	-	-	-	-	-	-	-	-	5	183	839
19,001	19,000	-	1	-	-	1	-	-	-	-	-	-	-	4	187	913
20,001	20,000	-	-	-	1	-	-	-	-	-	-	-	-	1	188	932
21,001	21,000	-	-	-	-	-	-	-	-	-	-	-	1	1	189	953
22,001	22,000	-	-	-	1	1	1	-	-	-	-	-	-	3	192	1,017
23,001	23,000	1	-	-	-	-	-	-	-	-	-	-	-	1	193	1,040
24,001	24,000	-	-	-	-	-	-	-	-	-	-	1	1	3	196	1,110
25,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	196	1,110
26,001	26,000	-	-	-	-	-	1	-	2	-	-	-	-	3	199	1,187
27,001	27,000	1	1	-	-	-	-	-	-	-	-	-	-	5	204	1,319
28,001	28,000	-	-	-	-	-	1	-	-	-	-	-	1	2	206	1,374
29,001	29,000	-	1	-	1	-	-	-	-	-	-	1	-	3	209	1,460
30,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	209	1,460
31,001	31,000	1	-	-	-	-	-	-	-	-	-	-	-	2	211	1,521
32,001	32,000	-	1	-	-	-	-	-	-	-	-	-	-	3	214	1,615
33,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	3	217	1,713
34,001	34,000	1	-	-	-	-	-	-	1	-	-	-	1	2	219	1,780
35,001	35,000	-	1	1	1	-	-	2	-	-	-	-	-	8	227	2,056
36,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	1	228	2,091
37,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	1	229	2,128

Chaparral City Water Company
Test Year Ended December 31, 2006

Exhibit
Schedule H-5
Page 18
Witness: Bourassa

Meter Size:
2 Inch Irrigation

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
37,001	38,000	-	-	-	2	-	-	-	-	-	-	-	1	3	232	2,240
38,001	39,000	-	-	-	-	1	-	1	-	-	1	-	-	3	235	2,356
39,001	40,000	-	-	-	-	-	-	2	-	-	1	1	-	4	239	2,514
40,001	41,000	-	-	-	-	1	-	-	-	-	-	-	-	1	240	2,554
41,001	42,000	-	-	-	-	-	-	1	-	-	-	1	-	3	243	2,679
42,001	43,000	1	-	1	1	-	-	-	-	1	-	-	-	5	248	2,891
43,001	44,000	-	-	2	-	-	-	-	-	1	-	-	-	3	251	3,022
44,001	45,000	-	-	-	-	-	1	-	1	-	-	-	-	2	253	3,111
45,001	46,000	-	-	-	-	2	-	-	-	-	-	1	-	6	259	3,384
46,001	47,000	-	2	-	-	-	-	-	-	-	-	-	-	1	260	3,430
47,001	48,000	-	-	-	1	-	-	1	-	-	-	-	-	2	262	3,525
48,001	49,000	-	-	-	-	-	-	-	-	-	-	1	-	2	264	3,622
49,001	50,000	1	-	-	1	-	-	-	-	-	-	2	-	5	269	3,870
50,001	51,000	-	1	-	-	-	-	1	-	1	-	-	-	5	274	4,122
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	1	1	275	4,174
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	1	276	4,226
53,001	54,000	-	-	-	-	-	-	-	1	-	-	-	-	3	279	4,387
54,001	55,000	-	-	-	-	1	-	-	-	-	-	-	-	3	282	4,550
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	1	283	4,606
56,001	57,000	-	-	-	-	-	-	1	-	-	-	-	-	3	286	4,775
57,001	58,000	1	1	-	1	-	-	-	1	-	-	1	-	4	290	5,005
58,001	59,000	-	-	-	-	-	1	-	-	1	-	-	-	6	296	5,356
59,001	60,000	-	-	-	-	1	-	-	-	1	-	-	-	2	298	5,475
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	298	5,475
61,001	62,000	1	2	-	-	-	-	-	1	-	-	-	-	4	302	5,721
62,001	63,000	1	2	-	1	3	-	-	-	-	-	-	-	9	311	6,284
63,001	64,000	-	-	1	1	-	-	-	1	-	-	-	-	3	314	6,474
64,001	65,000	-	-	1	-	-	-	-	2	-	-	-	-	3	317	6,668
65,001	66,000	1	-	-	-	-	-	-	-	1	-	-	-	3	320	6,864
66,001	67,000	-	-	-	-	-	-	1	-	-	-	-	-	1	321	6,931
67,001	68,000	-	-	-	-	-	-	-	1	-	-	-	-	3	324	7,133
68,001	69,000	-	-	-	1	-	-	-	-	-	-	-	-	-	324	7,133
69,001	70,000	1	-	-	-	-	-	-	-	-	-	-	-	1	325	7,203
70,001	71,000	-	1	-	-	-	-	-	-	-	-	1	-	2	327	7,344
71,001	72,000	-	2	-	-	-	-	-	-	1	-	-	-	3	330	7,558
72,001	73,000	-	-	-	1	-	-	-	1	-	-	-	-	3	333	7,776
73,001	74,000	1	-	-	-	-	-	1	-	-	-	1	-	4	337	8,070
74,001	75,000	-	-	3	-	-	-	1	-	-	-	-	-	4	341	8,368

Chaparral City Water Company
Test Year Ended December 31, 2006

Exhibit
Schedule H-5
Page 18
Witness: Bourassa

Meter Size:
2 Inch Irrigation

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
75,001	76,000	1	1	1	-	-	-	-	-	-	-	-	-	3	344	8,594
76,001	77,000	-	1	1	-	-	-	1	-	-	-	-	-	3	347	8,824
77,001	78,000	-	1	-	-	-	-	1	-	-	-	-	-	2	349	8,979
78,001	79,000	1	-	-	-	-	-	-	1	-	-	-	-	2	351	9,136
79,001	80,000	-	-	-	-	-	-	-	1	-	-	-	-	1	352	9,215
80,001	81,000	-	-	-	3	-	-	-	-	-	-	-	-	3	355	9,457
81,001	82,000	1	2	-	-	-	2	-	1	-	-	-	-	6	361	9,946
82,001	83,000	-	1	-	-	-	-	-	-	-	-	-	1	2	363	10,111
83,001	84,000	-	-	-	-	-	-	-	1	-	-	-	-	-	363	10,111
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	1	364	10,195
85,001	86,000	-	-	-	1	-	-	-	-	-	-	-	-	2	366	10,366
86,001	87,000	1	-	-	-	-	1	-	-	-	1	-	-	2	368	10,539
87,001	88,000	-	1	1	-	-	-	-	-	1	-	-	-	4	372	10,889
88,001	89,000	1	-	1	-	-	-	-	-	-	-	1	-	3	375	11,155
89,001	90,000	1	-	-	1	-	-	1	-	-	-	-	-	3	378	11,423
90,001	91,000	-	-	-	-	-	-	-	-	-	-	1	-	2	380	11,604
91,001	92,000	-	-	-	-	2	-	1	1	-	-	-	-	4	384	11,970
92,001	93,000	-	-	-	1	-	-	-	-	-	-	-	-	1	385	12,063
93,001	94,000	-	-	-	-	-	1	-	-	-	-	-	-	3	388	12,343
94,001	95,000	-	-	-	-	-	-	1	-	-	-	-	-	1	389	12,438
95,001	96,000	-	-	-	-	-	-	-	-	1	-	-	1	3	392	12,724
96,001	97,000	-	-	-	1	-	-	-	-	-	-	-	-	-	392	12,724
97,001	98,000	-	-	-	1	-	-	-	-	-	-	-	1	2	394	12,919
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	2	3	397	13,215
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	3	400	13,513
194,000	194,000	-	-	-	-	-	-	-	-	-	-	-	-	1	401	13,707
147,000	147,000	-	1	-	1	-	-	1	1	-	-	-	-	3	404	14,148
453,000	453,000	-	-	-	-	-	-	-	-	-	-	-	-	1	405	14,601
175,000	175,000	2	-	-	-	-	-	-	1	-	-	-	-	3	408	15,126
118,000	118,000	-	-	-	-	-	-	-	-	-	-	-	-	1	409	15,244
214,000	214,000	-	-	-	-	1	-	-	-	-	-	-	-	2	411	15,672
208,000	208,000	-	-	-	-	1	-	-	-	-	1	-	-	3	414	16,296
111,000	111,000	-	-	-	-	1	-	-	-	-	-	-	1	1	415	16,407
102,000	102,000	-	-	-	2	-	-	-	-	1	-	-	-	3	418	16,713
306,000	306,000	-	-	-	-	-	-	-	-	-	-	-	-	1	419	17,019
204,000	204,000	-	-	-	-	1	-	-	-	-	-	-	-	3	422	17,631
418,000	418,000	-	-	-	1	-	-	-	-	-	-	-	-	1	423	18,049
133,000	133,000	-	2	-	-	-	-	-	-	-	-	-	-	2	425	18,315

Chaparral City Water Company
Test Year Ended December 31, 2006
2 Inch Irrigation

Exhibit
Schedule H-5
Page 18
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
248,000	248,000	-	1	-	-	-	-	-	-	-	-	-	-	2	427	18,811
106,000	106,000	-	-	1	-	-	-	-	1	-	-	-	-	2	429	19,023
185,000	185,000	1	-	-	-	-	-	-	1	-	-	-	-	3	432	19,578
231,000	231,000	-	-	-	-	-	1	-	-	-	-	1	-	2	434	20,040
129,000	129,000	-	-	-	-	-	-	-	-	1	-	-	-	2	436	20,298
228,000	228,000	-	-	-	-	-	1	-	-	-	-	-	-	1	437	20,526
271,000	271,000	-	-	-	-	-	-	1	-	-	-	-	1	2	439	21,068
122,000	122,000	-	-	-	-	2	1	-	-	-	-	-	-	3	442	21,434
253,000	253,000	-	-	-	-	-	-	2	-	-	-	-	-	2	444	21,940
631,000	631,000	-	-	-	-	-	-	-	-	-	-	-	-	1	445	22,571
182,000	182,000	-	-	-	-	-	-	-	1	-	-	-	-	1	446	22,753
322,000	322,000	-	-	-	-	-	-	-	-	1	-	-	-	1	447	23,075
171,000	171,000	-	-	-	-	-	1	-	-	-	-	-	-	1	448	23,246
203,000	203,000	-	-	-	-	1	-	-	-	-	-	-	-	1	449	23,449
123,000	123,000	-	-	-	-	1	-	-	-	-	-	-	-	1	450	23,572
392,000	392,000	-	-	-	-	-	-	-	-	-	-	-	-	1	451	23,964
173,000	173,000	-	-	-	1	-	-	-	-	-	-	-	-	1	452	24,137
162,000	162,000	-	-	-	-	1	-	-	-	-	-	-	-	1	453	24,299
121,000	121,000	-	-	-	-	1	1	-	-	1	-	-	-	3	456	24,662
317,000	317,000	-	-	-	-	-	-	-	-	-	-	-	-	1	457	24,979
430,000	430,000	-	1	-	-	-	-	-	-	-	-	-	-	1	458	25,409
1,185,000	1,185,000	-	-	-	-	-	-	-	-	-	-	-	-	1	459	26,594
334,000	334,000	-	-	-	-	-	-	-	-	-	-	1	-	1	460	26,928
104,000	104,000	-	-	-	-	-	-	-	-	-	-	-	-	1	461	27,032
591,000	591,000	-	-	-	-	-	-	-	-	-	-	-	-	1	462	27,623
229,000	229,000	-	-	1	-	-	-	-	-	-	-	-	-	4	466	28,539
165,000	165,000	-	-	-	-	-	-	-	1	-	-	-	-	1	467	28,704
254,000	254,000	-	-	-	-	-	-	-	-	-	-	-	-	1	468	28,958
128,000	128,000	-	-	-	-	-	-	-	-	-	-	-	-	1	471	29,342
513,000	513,000	-	-	-	-	-	-	-	-	-	-	-	-	3	472	29,855
132,000	132,000	-	1	-	-	1	-	-	-	1	-	-	-	1	475	30,251
134,000	134,000	-	-	-	1	1	-	-	-	-	1	-	-	4	479	30,787
709,000	709,000	-	-	-	-	-	-	-	-	-	-	1	-	1	480	31,496
387,000	387,000	-	-	-	1	-	-	-	-	-	-	-	-	2	482	32,270
140,000	140,000	-	-	-	-	-	-	-	1	-	-	-	-	2	484	32,550
951,000	951,000	-	-	-	-	-	-	-	1	-	-	-	-	1	485	33,501
239,000	239,000	1	-	-	-	-	-	-	-	-	-	-	-	1	486	33,740
157,000	157,000	1	-	-	-	-	-	-	-	-	-	-	-	1	487	33,897

Chaparral City Water Company
Test Year Ended December 31, 2006

Exhibit
Schedule H-5
Page 18
Witness: Bourassa

Meter Size:

2 Inch Irrigation

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
131,000	131,000	1												1	488	34,028
258,000	258,000	1												1	489	34,286
300,000	300,000										1			1	490	34,586
342,000	342,000							1						1	491	34,928
825,000	825,000							1						1	492	35,753
262,000	262,000							1						1	493	36,015
400,000	400,000							1						1	494	36,415
241,000	241,000							1						1	495	36,656
320,000	320,000							1						1	496	36,976
202,000	202,000							2				1		2	498	37,380
148,000	148,000													2	500	37,676
343,000	343,000													1	501	38,019
508,000	508,000													1	502	38,527
244,000	244,000							1						1	503	38,771
127,000	127,000													1	504	38,898
304,000	304,000													1	505	39,202
177,000	177,000													2	507	39,556
419,000	419,000													1	508	39,975
307,000	307,000													1	509	40,282
257,000	257,000													1	510	40,539
218,000	218,000													1	511	40,757
242,000	242,000													1	512	40,999
836,000	836,000													1	513	41,835
476,000	476,000							1						1	514	42,311
144,000	144,000													2	516	42,599
267,000	267,000													1	517	42,866
167,000	167,000													1	518	43,033
153,000	153,000													1	519	43,186
205,000	205,000													2	521	43,596
612,000	612,000													1	522	44,208
551,000	551,000													1	523	44,759
137,000	137,000													2	525	45,033
272,000	272,000													1	526	45,305
190,000	190,000													2	528	45,685
226,000	226,000													1	529	45,911
274,000	274,000													1	530	46,185
558,000	558,000													1	531	46,743
628,000	628,000													1	532	47,371

Chaparral City Water Company
Test Year Ended December 31, 2006
2 Inch Irrigation

Exhibit
Schedule H-5
Page 18
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
338,000	338,000	-	-	-	-	-	-	-	-	-	-	-	-	1	533	47,709
150,000	150,000	-	-	-	-	-	-	-	-	-	-	-	-	1	534	47,859
311,000	311,000	-	-	-	-	-	-	-	-	-	-	-	-	2	536	48,481
210,000	210,000	-	-	-	-	-	-	-	-	-	-	-	-	2	538	48,901
164,000	164,000	-	-	-	-	-	-	-	-	-	-	-	-	1	539	49,065
143,000	143,000	-	-	-	-	-	-	-	-	-	-	-	-	3	542	49,494
1,060,000	1,060,000	-	-	-	-	-	-	-	-	-	-	-	-	1	543	50,554
155,000	155,000	-	-	-	-	-	-	-	-	-	-	-	-	1	544	50,709
1,554,000	1,554,000	-	-	-	-	-	-	-	-	-	-	-	-	1	545	52,263
107,000	107,000	-	-	-	-	-	-	-	-	-	-	-	-	1	546	52,370
252,000	252,000	-	-	-	-	-	-	-	-	-	-	-	-	2	548	52,874
395,000	395,000	-	-	-	-	-	-	-	-	-	-	-	-	1	549	53,269
159,000	159,000	-	-	-	-	-	-	-	-	-	-	-	-	1	550	53,428
146,000	146,000	-	-	-	-	-	-	-	-	-	-	-	-	1	551	53,574
266,000	266,000	-	-	-	-	-	-	-	-	-	-	-	-	1	552	53,840
103,000	103,000	-	-	-	-	-	-	-	-	-	-	-	-	3	555	54,149
295,000	295,000	-	-	-	-	-	-	-	-	-	-	-	-	1	556	54,444
273,000	273,000	-	-	-	-	-	-	-	-	-	-	-	-	1	557	54,717
236,000	236,000	-	-	-	-	-	-	-	-	-	-	-	-	2	559	55,189
383,000	383,000	-	-	-	-	-	-	-	-	-	-	-	-	1	560	55,572
269,000	269,000	-	-	-	-	-	-	-	-	-	-	-	-	1	561	55,841
227,000	227,000	-	-	-	-	-	-	-	-	-	-	-	-	1	562	56,068
145,000	145,000	-	-	-	-	-	-	-	-	-	-	-	-	1	563	56,213
291,000	291,000	-	-	-	-	-	-	-	-	-	-	-	-	1	564	56,504
366,000	366,000	-	-	-	-	-	-	-	-	-	-	-	-	1	565	56,870
219,000	219,000	-	-	-	-	-	-	-	-	-	-	-	-	1	566	57,089
372,000	372,000	-	-	-	-	-	-	-	-	-	-	-	-	2	568	57,833
199,000	199,000	-	-	-	-	-	-	-	-	-	-	-	-	1	569	58,032
149,000	149,000	-	-	-	-	-	-	-	-	-	-	-	-	2	571	58,330
120,000	120,000	-	-	-	-	-	-	-	-	-	-	-	-	2	573	58,570
224,000	224,000	-	-	-	-	-	-	-	-	-	-	-	-	2	575	59,018
370,000	370,000	-	-	-	-	-	-	-	-	-	-	-	-	1	576	59,388
169,000	169,000	-	-	-	-	-	-	-	-	-	-	-	-	1	577	59,557
594,000	594,000	-	-	-	-	-	-	-	-	-	-	-	-	1	578	60,151
152,000	152,000	-	-	-	-	-	-	-	-	-	-	-	-	1	579	60,303
112,000	112,000	-	-	-	-	-	-	-	-	-	-	-	-	1	580	60,415
447,000	447,000	-	-	-	-	-	-	-	-	-	-	-	-	1	581	60,862
519,000	519,000	-	-	-	-	-	-	-	-	-	-	-	-	1	582	61,381

Chaparral City Water Company
Test Year Ended December 31, 2006

Exhibit
Schedule H-5
Page 18
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
225,000	225,000	-	-	-	-	-	-	-	-	-	-	-	-	1	583	61,606
277,000	277,000	-	-	-	-	-	-	-	-	-	-	-	1	1	584	61,883
238,000	238,000	-	-	-	-	-	-	-	-	-	-	-	1	1	585	62,121
424,000	424,000	-	-	-	-	-	-	-	-	-	-	-	1	1	586	62,545
353,000	353,000	-	-	-	-	-	-	-	-	-	-	-	1	1	587	62,898
316,000	316,000	-	-	-	-	-	-	-	-	-	-	-	1	1	588	63,214
207,000	207,000	-	-	-	-	-	-	-	-	-	-	-	1	1	589	63,421
196,000	196,000	-	-	-	-	-	-	-	-	-	-	-	1	1	590	63,617
235,000	235,000	-	-	-	-	-	-	-	-	-	-	-	1	1	591	63,852
279,000	279,000	-	-	-	-	-	-	-	-	-	-	-	1	1	592	64,131
736,000	736,000	-	-	-	-	-	-	-	-	-	-	-	1	1	593	64,867
599,000	599,000	-	-	-	-	-	-	-	-	-	-	-	1	1	594	65,466
126,000	126,000	-	-	-	-	-	-	-	-	-	-	-	1	1	595	65,592
1,250,000	1,250,000	-	-	-	-	-	-	-	-	-	-	-	1	1	596	66,842
313,000	313,000	-	-	-	-	-	-	-	-	-	-	-	1	1	597	67,155
130,000	130,000	-	-	-	-	-	-	-	-	-	-	-	1	1	599	67,415
105,000	105,000	-	-	-	-	-	-	-	-	-	-	-	1	2	600	67,520
119,000	119,000	-	-	-	-	-	-	-	-	-	-	-	1	1	601	67,639
339,000	339,000	-	-	-	-	-	-	-	-	-	-	-	1	1	602	67,978
1,046,000	1,046,000	-	-	-	-	-	-	-	-	-	-	-	1	1	603	69,024
497,000	497,000	-	-	-	-	-	-	-	-	-	-	-	1	1	604	69,521
200,000	200,000	-	-	-	-	-	-	-	-	-	-	-	1	1	605	69,721
172,000	172,000	-	-	-	-	-	-	-	-	-	-	-	1	1	606	69,893
326,000	326,000	-	-	-	-	-	-	-	-	-	-	-	1	1	607	70,219
382,000	382,000	-	-	-	-	-	-	-	-	-	-	-	1	1	608	70,601
142,000	142,000	-	-	-	-	-	-	-	-	-	-	-	1	1	609	70,743
115,000	115,000	-	-	-	-	-	-	-	-	-	-	-	1	3	612	71,088
189,000	189,000	-	-	-	-	-	-	-	-	-	-	-	1	1	613	71,277
116,000	116,000	-	-	-	-	-	-	-	-	-	-	-	1	1	614	71,393
191,000	191,000	-	-	-	-	-	-	-	-	-	-	-	1	1	615	71,584
264,000	264,000	-	-	-	-	-	-	-	-	-	-	-	1	1	616	71,848
301,000	301,000	-	-	-	-	-	-	-	-	-	-	-	1	1	617	72,149
283,000	283,000	-	-	-	-	-	-	-	-	-	-	-	1	1	618	72,432
493,000	493,000	-	-	-	-	-	-	-	-	-	-	-	1	1	619	72,925
349,000	349,000	-	-	-	-	-	-	-	-	-	-	-	1	1	620	73,274
533,000	533,000	-	-	-	-	-	-	-	-	-	-	-	1	1	621	73,807
192,000	192,000	-	-	-	-	-	-	-	-	-	-	-	1	1	622	73,999
138,000	138,000	-	-	-	-	-	-	-	-	-	-	-	1	1	623	74,137

Exhibit
Schedule H-5
Page 18
Witness: Bourassa

[illegible]

Chaparral City Water Company
Test Year Ended December 31, 2006
4 Inch Irrigation

Exhibit
Schedule H-5
Page 19
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	3	-	-	1	-	1	-	1	-	2	1	-	13	13	1
1,001	2,000	-	-	-	1	-	-	-	-	-	-	-	-	2	15	1
2,001	3,000	-	-	-	-	-	-	-	-	1	-	-	1	2	17	4
3,001	4,000	-	-	-	-	-	-	-	-	-	1	-	-	1	18	7
4,001	5,000	-	-	-	-	1	-	-	-	-	-	-	-	-	19	10
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	19	10
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	19	10
7,001	8,000	-	-	-	-	-	-	-	-	-	-	1	-	1	20	17
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	17
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	17
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	17
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	17
12,001	13,000	-	-	-	-	-	-	-	1	-	-	-	-	1	21	28
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	28
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	28
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	28
16,001	17,000	-	1	-	-	-	-	-	-	-	-	-	-	-	22	45
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	1	22	45
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	45
35,001	36,000	-	-	1	-	-	-	-	-	-	-	-	-	1	23	80
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80

Chaparral City Water Company
Test Year Ended December 31, 2006
4 Inch Irrigation

Exhibit
Schedule H-5
Page 19
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80

Chaparral City Water Company
 Test Year Ended December 31, 2006
 4 Inch Irrigation

Exhibit
 Schedule H-5
 Page 19
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	80
92,001	93,000	1	-	-	-	-	-	-	-	-	-	-	-	1	24	173
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	173
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	173
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	173
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	173
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	173
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	173
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	173
140,000	140,000	-	-	1	-	-	-	-	-	-	-	-	-	1	25	313
174,000	174,000	-	1	-	-	-	-	-	-	-	-	-	-	1	26	487
281,000	281,000	-	-	1	-	-	-	-	-	-	-	-	-	1	27	768
284,000	284,000	-	1	-	-	-	-	-	-	-	-	-	-	1	28	1,052
331,000	331,000	-	-	-	-	-	-	-	-	-	-	-	1	1	29	1,383
381,000	381,000	-	-	-	-	-	-	-	-	-	-	-	1	1	30	1,764
429,000	429,000	-	-	-	-	-	-	-	-	-	-	-	1	1	31	2,193
491,000	491,000	-	-	-	-	1	-	-	-	-	-	-	-	1	32	2,684
544,000	544,000	1	-	-	-	-	-	-	-	-	-	-	-	1	33	3,228
559,000	559,000	-	-	-	-	-	-	-	-	-	1	-	-	1	34	3,787
597,000	597,000	-	-	-	-	-	-	-	-	-	-	1	-	1	35	4,384
719,000	719,000	-	-	-	-	-	-	-	-	-	-	1	-	1	36	5,103
810,000	810,000	-	-	-	-	-	-	-	-	-	-	-	1	1	37	5,913
906,000	906,000	-	-	-	-	1	-	-	-	-	-	-	-	1	38	6,819
1,057,000	1,057,000	-	-	-	-	-	-	-	1	-	-	-	-	1	39	7,876
1,955,000	1,955,000	-	-	-	-	-	1	-	-	-	-	-	-	1	40	9,831
1,966,000	1,966,000	-	-	-	-	-	-	-	-	-	-	-	-	1	41	11,797
2,062,000	2,062,000	-	-	-	-	-	-	1	-	-	-	-	-	1	42	13,859
3,388,000	3,388,000	-	-	-	-	-	-	1	-	-	-	-	-	1	43	17,247
3,532,000	3,532,000	-	-	-	-	1	-	-	-	-	-	-	-	1	44	20,779
4,052,000	4,052,000	-	-	-	1	-	-	-	-	-	-	-	-	1	45	24,831
4,536,000	4,536,000	-	-	-	-	-	-	1	-	-	-	-	-	1	46	29,367
4,671,000	4,671,000	-	-	-	-	1	-	-	-	-	-	-	-	1	47	34,038
11,344,000	11,344,000	-	-	-	-	-	1	-	-	-	-	-	-	1	48	45,382
13,658,000	13,658,000	-	-	-	-	-	1	-	-	-	-	-	-	1	49	59,040

Chaparral City Water Company
Test Year Ended December 31, 2006

Meter Size: 4 Inch Irrigation

Exhibit
Schedule H-5
Page 19
Witness: Bourassa

Usage From: 31,614,000	Usage To: 31,614,000	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
		1												1	50	90,654
														-	50	90,654
														-	50	90,654
														-	50	90,654
														-	50	90,654
														50	Median	
														157,000	Billing	25
														4		
														(1)		

Totals

Average Usage
Median Usage
Average # Customers
Change in Number of Customers

Chaparral City Water Company
Test Year Ended December 31, 2006
6 Inch Irrigation

Exhibit
Schedule H-5
Page 20
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	1	-	-	-	-	-	-	-	-	-	-	-	5	5	-
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-

Chaparral City Water Company
 Test Year Ended December 31, 2006
 6 Inch Irrigation

Exhibit
 Schedule H-5
 Page 20
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-

Chaparral City Water Company
Test Year Ended December 31, 2006
6 Inch Irrigation

Exhibit
Schedule H-5
Page 20
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	1	6	84
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
100,001	101,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
101,001	102,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
102,001	103,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
103,001	104,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
104,001	105,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
105,001	106,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
106,001	107,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
107,001	108,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
108,001	109,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
109,001	110,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
110,001	111,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
111,001	112,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
112,001	113,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
113,001	114,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
114,001	115,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
115,001	116,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
116,001	117,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
117,001	118,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
118,001	119,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
119,001	120,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
120,001	121,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
121,001	122,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
122,001	123,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
123,001	124,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
124,001	125,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
125,001	126,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
126,001	127,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
127,001	128,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
128,001	129,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
129,001	130,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
130,001	131,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
131,001	132,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
132,001	133,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
133,001	134,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
134,001	135,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
135,001	136,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
136,001	137,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
137,001	138,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
138,001	139,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
139,001	140,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
140,001	141,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
141,001	142,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
142,001	143,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
143,001	144,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
144,001	145,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
145,001	146,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
146,001	147,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
147,001	148,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
148,001	149,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
149,001	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
150,001	151,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
151,001	152,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
152,001	153,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
153,001	154,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
154,001	155,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
155,001	156,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
156,001	157,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
157,001	158,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
158,001	159,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
159,001	160,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
160,001	161,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
161,001	162,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
162,001	163,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
163,001	164,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
164,001	165,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
165,001	166,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
166,001	167,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
167,001	168,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
168,001	169,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
169,001	170,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
170,001	171,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
171,001	172,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
172,001	173,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
173,001	174,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
174,001	175,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
175,001	176,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
176,001	177,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
177,001	178,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
178,001	179,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
179,001	180,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
180,001	181,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
181,001	182,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
182,001	183,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
183,001	184,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
184,001	185,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
185,001	186,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
186,001	187,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
187,001	188,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
188,001	189,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
189,001	190,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
190,001	191,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
191,001	192,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
192,001	193,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
193,001	194,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
194,001	195,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	84
195,001	196,000	-	-													

Chaparral City Water Company
 Test Year Ended December 31, 2006
 6 Inch Irrigation

Exhibit
 Schedule H-5
 Page 20
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
21,261,000	21,261,000	-	-	-	1	-	-	-	-	-	-	-	-	1	32	96,677
21,573,000	21,573,000	-	-	-	-	-	-	1	-	-	-	-	-	1	33	118,250
21,785,000	21,785,000	-	-	-	-	-	-	-	-	-	-	1	-	1	34	140,035
24,574,000	24,574,000	-	-	-	-	1	-	-	-	-	-	-	-	1	35	164,609
31,629,000	31,629,000	-	-	-	-	-	1	-	-	-	-	-	-	1	36	196,238
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36	196,238
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36	196,238
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36	196,238
Totals		3	3	3	3	3	3	3	3	3	3	3	3	36	Median Billing	18
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Chaparral City Water Company
Test Year Ended December 31, 2006
3 Inch Fire Hydrant (Standpipe)

Exhibit
Schedule H-5
Page 21
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	-	2	2	7	6	4	7	6	3	8	12	7	64	64	-
1,001	1,000	2	1	1	4	2	2	2	2	-	1	1	-	19	83	10
2,001	2,000	4	1	1	-	-	1	1	2	-	-	-	1	11	94	26
3,001	3,000	2	1	1	1	1	1	1	-	1	2	2	1	14	108	61
4,001	4,000	-	1	-	-	1	-	-	-	1	1	-	1	5	113	79
5,001	5,000	2	-	-	-	-	1	1	-	1	-	1	-	6	119	106
6,001	6,000	-	1	-	-	1	-	1	1	-	-	-	-	4	123	128
7,001	7,000	1	5	1	2	2	-	-	-	1	1	1	2	16	139	232
8,001	8,000	1	1	-	-	1	-	-	1	4	-	1	2	11	150	314
9,001	9,000	-	-	-	1	1	1	1	1	-	-	-	-	6	156	365
10,001	10,000	1	-	-	-	-	1	1	-	-	2	-	1	6	162	422
11,001	11,000	-	1	-	-	-	1	1	-	1	1	-	-	5	167	475
12,001	12,000	-	-	-	-	-	-	-	-	2	-	-	-	2	169	498
13,001	13,000	-	-	-	1	2	1	1	-	-	-	-	-	5	174	560
14,001	14,000	-	-	-	1	1	1	1	-	1	-	-	1	5	179	628
15,001	15,000	-	-	-	-	-	-	-	-	2	-	-	-	4	183	686
16,001	16,000	1	-	-	-	-	-	-	-	2	-	1	1	7	190	794
17,001	17,000	1	2	-	-	-	1	1	1	-	1	-	-	6	196	893
18,001	18,000	2	-	-	1	-	-	1	-	-	1	-	-	6	202	998
19,001	19,000	-	-	-	-	-	-	1	1	-	-	-	-	2	204	1,035
20,001	20,000	1	1	-	-	2	-	-	1	-	-	-	-	5	209	1,133
21,001	21,000	-	-	1	1	-	-	-	-	2	-	1	-	5	214	1,235
22,001	22,000	1	2	-	1	-	-	1	-	-	-	-	-	7	221	1,386
23,001	23,000	1	-	-	-	-	-	1	1	-	-	1	-	5	226	1,498
24,001	24,000	-	-	-	1	1	-	-	-	1	2	-	1	5	231	1,616
25,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	1	232	1,640
26,001	26,000	-	-	-	1	-	1	-	-	-	-	-	-	2	234	1,691
27,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	1	235	1,718
28,001	28,000	-	1	-	-	-	-	-	-	1	-	-	-	2	237	1,773
29,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	2	239	1,830
30,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	239	1,830
31,001	31,000	-	1	-	1	-	-	-	1	-	-	1	-	3	242	1,921
32,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	2	244	1,984
33,001	33,000	1	-	-	-	-	-	-	1	-	-	-	-	2	246	2,049
34,001	34,000	1	-	-	-	2	-	-	-	-	-	-	-	3	249	2,150
35,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	1	250	2,184
36,001	36,000	-	-	-	-	-	-	-	-	-	-	-	1	1	251	2,220
37,001	37,000	1	-	-	1	-	1	-	-	-	-	-	1	5	256	2,402
38,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	256	2,402
39,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	256	2,402
40,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	257	2,443
41,001	41,000	-	-	-	-	1	-	-	-	-	-	-	-	1	-	-

Chaparral City Water Company
Test Year Ended December 31, 2006
3 Inch Fire Hydrant (Standpipe)

Exhibit
Schedule H-5
Page 21
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	1	-	-	-	-	1	258	2,484
42,001	43,000	-	-	-	1	-	-	-	-	-	1	-	-	3	261	2,612
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	261	2,612
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	261	2,612
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	261	2,612
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	261	2,612
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	261	2,612
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	261	2,612
49,001	50,000	-	-	-	-	1	-	-	-	-	-	-	-	2	263	2,711
50,001	51,000	-	-	-	-	-	1	-	-	-	-	-	-	1	264	2,761
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	1	1	265	2,813
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	265	2,813
53,001	54,000	-	-	-	1	-	-	-	-	-	-	-	-	1	266	2,866
54,001	55,000	-	-	-	-	-	-	-	-	1	-	-	-	2	268	2,975
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	268	2,975
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	268	2,975
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	268	2,975
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	268	2,975
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	2	270	3,094
60,001	61,000	-	-	-	-	-	-	-	-	1	-	-	-	1	271	3,155
61,001	62,000	-	-	-	-	-	-	-	-	-	1	-	-	2	273	3,278
62,001	63,000	-	-	-	-	-	1	-	-	-	-	-	-	-	273	3,278
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	273	3,278
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	273	3,278
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	1	274	3,343
66,001	67,000	1	-	-	-	-	-	-	-	-	-	-	-	1	275	3,410
67,001	68,000	-	-	1	-	-	-	-	-	-	-	-	-	2	277	3,545
68,001	69,000	-	-	-	-	-	-	1	-	-	-	-	-	2	279	3,682
69,001	70,000	-	-	-	-	-	-	-	1	-	-	-	-	2	281	3,821
70,001	71,000	-	-	-	-	-	-	-	-	-	1	-	-	3	284	4,032
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	1	285	4,104
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	285	4,104
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	1	286	4,177
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	286	4,177
75,001	76,000	-	-	-	-	-	-	-	-	1	-	-	-	1	287	4,253
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	1	1	288	4,329
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	1	289	4,407
78,001	79,000	-	-	-	-	-	-	1	-	-	-	-	-	1	290	4,485
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	1	291	4,565
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	291	4,565
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	291	4,565
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	291	4,565

Chaparral City Water Company
 Test Year Ended December 31, 2006
 3 Inch Fire Hydrant (Standpipe)

Exhibit
 Schedule H-5
 Page 21
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000														291	4,565
84,001	85,000														291	4,565
85,001	86,000														291	4,565
86,001	87,000														291	4,565
87,001	88,000												1	2	293	4,740
88,001	89,000														293	4,740
89,001	90,000														293	4,740
90,001	91,000														293	4,740
91,001	92,000										1			1	294	4,831
92,001	93,000					1								1	295	4,924
93,001	94,000														295	4,924
94,001	95,000														295	4,924
95,001	96,000														296	5,019
96,001	97,000											1		1	296	5,019
97,001	98,000														296	5,019
98,001	99,000														296	5,019
99,001	100,000														297	5,119
100,001	101,000														297	5,119
101,001	102,000														298	5,250
102,001	103,000														298	5,250
103,001	104,000														299	5,710
104,001	105,000														300	6,028
105,001	106,000														300	6,028
106,001	107,000														301	6,249
107,001	108,000														301	6,249
108,001	109,000														302	6,392
109,001	110,000														302	6,392
110,001	111,000														303	6,829
111,001	112,000														303	6,829
112,001	113,000														304	6,932
113,001	114,000														304	6,932
114,001	115,000														305	7,037
115,001	116,000														305	7,037
116,001	117,000														306	7,242
117,001	118,000														306	7,242
118,001	119,000														307	7,420
119,001	120,000														307	7,420
120,001	121,000														308	7,573
121,001	122,000														308	7,573
122,001	123,000														309	7,747
123,001	124,000														309	7,747
124,001	125,000														310	8,012
125,001	126,000														310	8,012
126,001	127,000														311	8,124
127,001	128,000														311	8,124
128,001	129,000														311	8,124
129,001	130,000														311	8,124
130,001	131,000														311	8,124
131,001	132,000														311	8,124
132,001	133,000														311	8,124
133,001	134,000														311	8,124
134,001	135,000														311	8,124
135,001	136,000														311	8,124
136,001	137,000														311	8,124
137,001	138,000														311	8,124
138,001	139,000														311	8,124
139,001	140,000														311	8,124
140,001	141,000														311	8,124
141,001	142,000														311	8,124
142,001	143,000														311	8,124
143,001	144,000														311	8,124
144,001	145,000														311	8,124
145,001	146,000														311	8,124
146,001	147,000														311	8,124
147,001	148,000														311	8,124
148,001	149,000														311	8,124
149,001	150,000														311	8,124
150,001	151,000														311	8,124
151,001	152,000														311	8,124
152,001	153,000														311	8,124
153,001	154,000														311	8,124
154,001	155,000														311	8,124
155,001	156,000														311	8,124
156,001	157,000														311	8,124
157,001	158,000														311	8,124
158,001	159,000														311	8,124
159,001	160,000														311	8,124
160,001	161,000														311	8,124
161,001	162,000														311	8,124
162,001	163,000														311	8,124
163,001	164,000														311	8,124
164,001	165,000														311	8,124
165,001	166,000														311	8,124
166,001	167,000														311	8,124
167,001	168,000														311	8,124
168,001	169,000														311	8,124
169,001	170,000														311	8,124
170,001	171,000														311	8,124
171,001	172,000														311	8,124
172,001	173,000														311	8,124
173,001	174,000														311	8,124
174,001	175,000														311	8,124
175,001	176,000														311	8,124
176,001	177,000														311	8,124
177,001	178,000														311	8,124
178,001	179,000														311	8,124
179,001	180,000														311	8,124
180,001	181,000														311	8,124
181,001	182,000														311	8,124
182,001	183,000														311	8,124
183,001	184,000														311	8,124
184,001	185,000														311	8,124
185,001	186,000														311	8,124
186,001	187,000														311	8,124
187,001	188,000														311	8,124
188,001	189,000														311	8,124
189,001	190,000														311	8,124
190,001	191,000														311	8,124
191,001	192,000														311	8,124
192,001	193,000														311	8,124
193,001	194,000														311	8,124
194,001	195,000														311	8,124
195,001	196,000														311	8,124
196,001	197,000														311	8,124
197,001	198,000														311	8,124
198,001	199,000														311	8,124
199,001	200,000														311	8,124
200,001	201,000														311	8,124
201,001	202,000														311	8,124
202,001	203,000														311	8,124
203,001	204,000														311	8,124
204,001	205,000															

Chaparral City Water Company
Test Year Ended December 31, 2006
4 Inch Fire Hydrant (Standpipe)

Exhibit
Schedule H-5
Page 22
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Chaparral City Water Company
 Test Year Ended December 31, 2006
 4 Inch Fire Hydrant (Standpipe)

Exhibit
 Schedule H-5
 Page 22
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5

Chaparral City Water Company
Test Year Ended December 31, 2006
4 Inch Fire Hydrant (Standpipe)

Exhibit
Schedule H-5
Page 22
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
554,000	554,000	-	-	-	-	-	-	-	-	-	1	-	-	1	2	559
569,000	569,000	-	-	-	-	-	-	-	-	-	-	1	-	1	3	1,128
615,000	615,000	-	-	-	-	-	-	-	-	-	-	-	1	1	4	1,743
665,000	665,000	-	-	-	-	-	-	-	1	-	-	-	-	1	5	2,408
694,000	694,000	-	-	-	-	-	-	-	-	1	-	-	-	1	6	3,102
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6	3,102
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6	3,102
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6	3,102
Totals		-	-	-	-	-	-	-	-	-	-	-	-	-	6	6
														516,917	Median Billing	3
														561,500		
															Average # Customers	1
															Change in Number of Customers	1

Chaparral City Water Company
 Test Year Ended December 31, 2006
 34 Inch Construction

Exhibit
 Schedule H-5
 Page 23
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	1	1	1	1	1	1	1	1	1	1	1	1	7	7	2
1,001	2,000													3	10	2
2,001	3,000													-	10	2
3,001	4,000													-	10	2
4,001	5,000													-	10	2
5,001	6,000				1									1	11	6
6,001	7,000		1											1	12	12
7,001	8,000													-	12	12
8,001	9,000													-	12	12
9,001	10,000													-	12	12
10,001	11,000													-	12	12
11,001	12,000													-	12	12
12,001	13,000													-	12	12
13,001	14,000													-	12	12
14,001	15,000													-	12	12
15,001	16,000													-	12	12
16,001	17,000													-	12	12
17,001	18,000													-	12	12
18,001	19,000													-	12	12
19,001	20,000													-	12	12
20,001	21,000													-	12	12
21,001	22,000													-	12	12
22,001	23,000													-	12	12
23,001	24,000													-	12	12
24,001	25,000													-	12	12
25,001	26,000													-	12	12
26,001	27,000													-	12	12
27,001	28,000													-	12	12
28,001	29,000													-	12	12
29,001	30,000													-	12	12
30,001	31,000													-	12	12
31,001	32,000													-	12	12
32,001	33,000													-	12	12
33,001	34,000													-	12	12
34,001	35,000													-	12	12
35,001	36,000													-	12	12
36,001	37,000													-	12	12
37,001	38,000													-	12	12
38,001	39,000													-	12	12
39,001	40,000													-	12	12
40,001	41,000													-	12	12

Chaparral City Water Company
Test Year Ended December 31, 2006
34 Inch Construction

Exhibit
Schedule H-5
Page 23
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12

Chaparral City Water Company
 Test Year Ended December 31, 2006
 34 Inch Construction

Exhibit
 Schedule H-5
 Page 23
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12	Median Billing	6
														959		
														-		
														-	1	
														-		

Chaparral City Water Company
Test Year Ended December 31, 2006
1 Inch Construction

Exhibit
Schedule H-5
Page 24
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	-	-	-	-	-	-	-	-	-	-	-	-	4	4	-
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	1	5	1
2,001	3,000	-	-	-	1	-	-	-	-	-	-	-	-	2	7	4
3,001	4,000	-	-	1	-	-	-	-	-	-	-	-	-	1	8	6
4,001	5,000	-	-	1	-	-	-	-	-	-	-	-	-	1	9	10
5,001	6,000	1	-	-	1	-	-	-	-	-	-	-	-	2	11	19
6,001	7,000	-	-	-	-	1	-	-	-	-	-	-	-	2	13	30
7,001	8,000	-	-	-	-	-	1	-	-	-	-	-	-	2	15	43
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	43
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	15	43
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	1	16	53
11,001	12,000	-	-	2	-	-	-	-	-	-	-	-	-	2	18	76
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	1	19	89
13,001	14,000	1	-	-	-	-	1	-	-	-	-	-	-	3	22	129
14,001	15,000	-	-	-	-	-	-	-	-	1	-	-	-	1	23	144
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	144
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	2	25	177
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	1	26	194
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	194
19,001	20,000	-	-	1	-	1	-	-	-	-	-	-	-	3	29	253
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	253
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	1	30	274
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	30	274
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	30	274
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	1	2	32	323
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323

Chaparral City Water Company
Test Year Ended December 31, 2006

Exhibit
Schedule H-5
Page 24
Witness: Bourassa

Meter Size:
1 Inch Construction

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	323
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390

Chaparral City Water Company
Test Year Ended December 31, 2006

Meter Size:

1 Inch Construction

Exhibit
Schedule H-5
Page 24
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	390
Totals		2	5	3	3	3	3	3	3	2	2	2	2	33	Median Billing	390
														11,803		
														11,500		
														3		
														-		

Average Usage
Median Usage
Average # Customers
Change in Number of Customers

Chaparral City Water Company
Test Year Ended December 31, 2006
2 Inch Construction

Exhibit
Schedule H-5
Page 25
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	-	-	-	1	-	-	-	-	-	-	-	-	1	1	-
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	1	2	2
2,001	3,000	-	-	1	-	-	-	-	-	-	-	-	-	-	2	2
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
24,001	25,000	-	-	-	-	1	-	-	-	-	-	-	-	1	3	25
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25

Chaparral City Water Company
Test Year Ended December 31, 2006
2 Inch Construction

Exhibit
Schedule H-5
Page 25
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	25
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86

Chaparral City Water Company
Test Year Ended December 31, 2006
2 Inch Construction

Exhibit
Schedule H-5
Page 25
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	86
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	1	5	180
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	180
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	180
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	180
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	180
Totals		-	1	1	1	1	1	1	-	-	-	-	-	-	5	Median Billing
														36,000	3	
														59,000	0	
														-	-	

Average Usage
Median Usage
Average # Customers
Change in Number of Customers

Chaparral City Water Company
 Test Year Ended December 31, 2006
 3 Inch Construction

Exhibit
 Schedule H-5
 Page 26
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	8	-
1,001	1,000	-	-	-	-	-	-	-	-	-	-	-	1	1	9	1
2,001	2,000	-	-	-	-	-	-	-	-	-	-	-	1	1	10	2
3,001	3,000	-	-	-	-	-	-	-	-	-	-	-	1	1	11	5
4,001	4,000	-	-	-	-	-	-	-	-	-	-	-	1	1	11	5
5,001	5,000	1	-	1	-	-	-	-	-	-	-	-	1	3	14	18
6,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	18
7,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	18
8,001	8,000	-	-	-	-	-	-	-	1	-	-	-	-	3	17	41
9,001	9,000	1	-	-	-	-	-	-	-	-	-	-	-	2	19	58
10,001	10,000	-	1	-	-	-	-	-	-	-	-	-	-	1	20	67
11,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	67
12,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	67
13,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	67
14,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	67
15,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	67
16,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	20	67
17,001	17,000	-	-	-	-	-	-	-	1	-	-	-	-	1	21	83
18,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	83
19,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	21	83
20,001	20,000	-	-	-	1	-	-	-	-	-	-	-	-	2	23	122
21,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	122
22,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	122
23,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	122
24,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	122
25,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	122
26,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	122
27,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	122
28,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	122
29,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	122
30,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	122
31,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	122
32,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	122
33,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	122
34,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	122
35,001	35,000	-	-	-	-	-	-	-	1	-	-	-	-	1	24	156
36,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	156
37,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	156

Chaparral City Water Company
Test Year Ended December 31, 2006
3 Inch Construction

Exhibit
Schedule H-5
Page 26
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	156
38,001	39,000	-	-	-	-	-	-	-	-	1	-	-	-	1	25	195
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	195
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	195
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	195
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	195
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	195
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	195
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	195
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	1	1	26	240
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	240
71,001	72,000	1	-	-	-	-	-	-	-	-	-	-	-	1	27	312
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	27	312
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	27	312
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	27	312

Chaparral City Water Company
 Test Year Ended December 31, 2006
 3 Inch Construction

Exhibit
 Schedule H-5
 Page 26
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	27	312
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	27	312
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	27	312
78,001	79,000	-	-	-	-	-	-	-	-	-	-	1	-	1	28	390
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	390
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	390
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	390
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	390
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	390
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	390
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	390
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	390
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	28	390
88,001	89,000	-	-	-	-	-	-	1	-	-	-	-	-	1	29	479
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	479
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	479
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	479
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	479
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	479
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	479
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	479
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	479
97,001	98,000	-	-	-	-	-	1	-	-	-	-	-	-	1	30	576
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	30	576
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	30	576
811,000	811,000	-	-	1	-	-	-	-	-	-	-	-	-	1	31	1,387
597,000	597,000	-	-	-	1	-	-	-	-	-	-	-	-	1	32	1,984
673,000	673,000	-	-	-	-	-	1	-	-	-	-	-	-	1	33	2,657
1,110,000	1,110,000	-	-	-	-	-	-	1	-	-	-	-	-	1	34	3,767
1,091,000	1,091,000	-	-	-	-	1	-	-	-	-	-	-	-	1	35	4,858
186,000	186,000	-	-	-	-	-	-	-	1	-	-	-	-	1	36	5,044
199,000	199,000	-	-	-	-	-	-	-	-	-	-	-	1	1	37	5,243
124,000	124,000	-	-	-	-	-	-	1	-	-	-	-	-	1	38	5,367
201,000	201,000	-	-	-	-	-	-	-	-	1	-	-	-	1	39	5,568
116,000	116,000	-	-	-	-	-	-	-	-	-	-	-	-	1	40	5,684
206,000	206,000	-	-	-	-	-	-	-	-	-	-	-	-	1	41	5,890
1,517,000	1,517,000	-	1	-	-	-	-	-	-	-	1	-	-	1	42	7,407
303,000	303,000	-	-	-	-	-	-	-	-	-	-	1	-	1	43	7,710

Chaparral City Water Company
 Test Year Ended December 31, 2006
 3 Inch Construction

Exhibit
 Schedule H-5
 Page 26
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
240,000	240,000	1	-	-	-	-	-	-	-	-	-	-	-	1	44	7,950
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44	7,950
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44	7,950
Totals		4	4	4	2	2	3	4	4	4	4	4	4	44	Median Billing	
														180,682		
														19,500		
														4		
														-		

Average Usage
 Median Usage
 Average # Customers
 Change in Number of Customers

Chaparral City Water Company
Test Year Ended December 31, 2006
4 Inch Construction

Meter Size:

Exhibit
Schedule H-5
Page 27
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1	5
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	1	2	28
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28

Chaparral City Water Company
Test Year Ended December 31, 2006
4 Inch Construction

Exhibit
Schedule H-5
Page 27
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28

Chaparral City Water Company
 Test Year Ended December 31, 2006
 4 Inch Construction

Exhibit
 Schedule H-5
 Page 27
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2	28
105,000	105,000	-	-	-	-	-	1	-	-	-	-	-	-	1	3	133
107,000	107,000	-	-	-	-	1	-	-	-	-	-	-	-	1	4	240
132,000	132,000	-	-	-	-	-	-	1	-	-	-	-	-	1	5	372
195,000	195,000	-	1	-	-	-	-	-	-	-	-	-	-	1	6	567
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6	567
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6	567
Totals		-	1	1	1	1	1	1	-	-	-	-	-	-	6	Median Billing
																94,500
																106,000
																3
																1
																-

Chaparral City Water Company
Test Year Ended December 31, 2006
3/4 Inch Fire Sprinkler

Meter Size:

Exhibit
Schedule H-5
Page 28
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-06 43	Month of Feb-06 43	Month of Mar-06 43	Month of Apr-06 43	Month of May-06 43	Month of Jun-06 43	Month of Jul-06 43	Month of Aug-06 41	Month of Sep-06 43	Month of Oct-06 43	Month of Nov-06 43	Month of Dec-06 42	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1	1,000	-	-	-	-	-	-	-	2	-	-	-	1	513	513	2
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	3	516	2
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
3,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
4,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2

Chaparral City Water Company
Test Year Ended December 31, 2006
3/4 Inch Fire Sprinkler

Exhibit
Schedule H-5
Page 28
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2

Chaparral City Water Company
Test Year Ended December 31, 2006
3/4 Inch Fire Sprinkler

Exhibit
Schedule H-5
Page 28
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	2
Totals		43	43	43	43	43	43	43	43	43	43	43	43	516	Median Billing	258
														Average Usage		3
														Median Usage		-
														Average # Customers		43
														Change in Number of Customers		-

Chaparral City Water Company
Test Year Ended December 31, 2006
1 Inch Fire Sprinkler

Exhibit
Schedule H-5
Page 29
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	2	2	2	2	2	2	2	1	2	2	1	2	21	21	-
1,001	1,000	-	-	-	-	-	-	-	1	-	-	1	-	3	24	2
2,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
3,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
4,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
5,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
6,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
7,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
8,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
9,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
10,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
11,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
12,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
13,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
14,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
15,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
16,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
17,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
18,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
19,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
20,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
21,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
22,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
23,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
24,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
25,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
26,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
27,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
28,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
29,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
30,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
31,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
32,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
33,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
34,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
35,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
36,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
37,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
38,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
39,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
40,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
41,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2

Chaparral City Water Company
Test Year Ended December 31, 2006
1 Inch Fire Sprinkler

Exhibit
Schedule H-5
Page 29
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2

Chaparral City Water Company
 Test Year Ended December 31, 2006
 1 Inch Fire Sprinkler

Exhibit
 Schedule H-5
 Page 29
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	2
Totals															24	2
															Median Billing	12
															Average Usage	63
															Average # Customers	2
															Change in Number of Customers	-

Chaparral City Water Company
Test Year Ended December 31, 2006
1 1/2 Inch Fire Sprinkler

Exhibit
Schedule H-5
Page 30
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	3	3	3	3	3	3	3	2	3	3	3	3	34	34	-
1,001	1,000	-	-	-	-	-	-	-	1	-	-	-	-	2	36	1
2,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
3,001	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
4,001	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
5,001	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
6,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
7,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
8,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
9,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
10,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
11,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
12,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
13,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
14,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
15,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
16,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
17,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
18,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
19,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
20,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
21,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
22,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
23,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
24,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
25,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
26,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
27,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
28,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
29,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
30,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
31,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
32,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
33,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
34,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
35,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
36,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
37,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
38,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
39,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
40,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
41,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1

Chaparral City Water Company
Test Year Ended December 31, 2006
1 1/2 Inch Fire Sprinkler

Exhibit
Schedule H-5
Page 30
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1

Chaparral City Water Company
Test Year Ended December 31, 2006

Exhibit
Schedule H-5
Page 30
Witness: Bourassa

Meter Size:
1 1/2 Inch Fire Sprinkler

Usage From:	Usage To:	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	1
Totals		3	3	3	3	3	3	3	3	3	3	3	3	36	36	1
														Average Usage	Median Billing	
														28	18	
														Average # Customers	3	
														Change in Number of Customers	-	

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7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8
9 IN THE MATTER OF THE APPLICATION
10 OF CHAPARRAL CITY WATER
11 COMPANY, INC., AN ARIZONA
12 CORPORATION, FOR A
13 DETERMINATION OF THE FAIR VALUE
14 OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN
ITS RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO: W-02113A-07-0551

15
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19
20 **SUPPLEMENTAL TESTIMONY OF**

21 **THOMAS J. BOURASSA**
22
23
24
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26

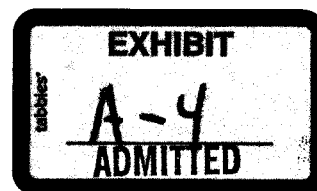


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IV. PROPOSED RECOVERY MECHANISM.....	6

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1 **I. INTRODUCTION AND QUALIFICATIONS.**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,
4 Phoenix, Arizona, 85029.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am a self-employed Certified Public Accountant providing consulting services to
7 utility companies as well as general accounting services. In this case, I am the rate
8 consultant and testifying expert witness for Chaparral City Water Company
9 ("CCWC" or "Company").

10 **Q. DID YOU PREVIOUSLY PROVIDE TESTIMONY ON BEHALF OF**
11 **CHAPARRAL CITY WATER COMPANY IN THIS CASE?**

12 A. Yes. My direct testimony was filed with the Company's application in September,
13 2007 (Docket No. W-02113A-07-551). I was also a witness in the Company's
14 2004 rate case (Docket No. W-02113A-04-0616) that resulted in Decision No.
15 68176 (September 30, 2005). Decision No. 68176 was appealed to the Arizona
16 Court of Appeals, *Chaparral City Water Company v. Arizona Corporation*
17 *Commission*, Arizona Court of Appeals, No. 1 CA-CC 05-0002 (the "Appeal").
18 When the Court of Appeals overturned Decision No. 68176, in part, and remanded
19 the matter back to the Commission, I also testified in the Commission's extended
20 proceedings on remand (the "Remand"). The Remand proceeding recently
21 resulted in Decision No. 70441 (July 28, 2008) ("Remand Decision").

22 **II. BRIEF OVERVIEW.**

23 **Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENTAL TESTIMONY?**

24 A. In the Remand Decision, the Commission declined to award rate case expense for
25 the Appeal or the Remand, but authorized the Company to seek such recovery in
26 this rate case so the expense could be "audited and verified, and a determination

1 can be made to their appropriateness and reasonableness.” Remand Decision at
2 39. My testimony will make the Company’s request for rate case expense for the
3 Appeal and Remand, and demonstrate why the Company’s request is reasonable
4 and appropriate.

5 **Q. HOW MUCH DID THE COMPANY INCUR FOR THE APPEAL AND**
6 **REMAND PROCEEDING?**

7 A. Roughly \$520,000.

8 **Q. HOW MUCH IS THE COMPANY NOW REQUESTING IN RATE CASE**
9 **EXPENSE FOR THE APPEAL AND REMAND?**

10 A. \$258,511.

11 **III. RATE CASE EXPENSE FOR THE APPEAL AND REMAND.**

12 **Q. WHAT WERE THE COMPANY’S TOTAL EXPENSES FOR THE**
13 **APPEAL?**

14 A. CCWC spent approximately \$91,307 in legal fees and costs from October 2005
15 through February 2007, which was the period for the Appeal. Although I
16 participated in planning and strategy, and reviewed all of the briefs, I did not
17 charge the Company for my work on the Appeal. Neither did Dr. Zepp, another
18 of CCWC’s experts in the original rate case and Remand. Attached hereto as
19 **Bourassa Supplemental Testimony Exhibit 1** is an itemization summarizing the
20 fees and costs for the Appeal.

21 **Q. WHAT WERE THE COMPANY’S TOTAL EXPENSES FOR THE**
22 **REMAND?**

23 A. CCWC incurred approximately \$429,264 in rate case expense for the remand
24 proceeding, which occurred from March, 2007 through the issuance of the
25 Remand Decision in July, 2008. These rate case expenses included legal fees and
26 costs, and expert witness fees and costs. Attached hereto as **Bourassa**

1 **Supplemental Testimony Exhibit 2** is an itemization summarizing the fees and
2 costs for the Remand.

3 **Q. ISN'T THAT A LOT OF MONEY, MR. BOURASSA?**

4 A. It may seem like a large some of money at first blush, but when you consider the
5 length of the proceeding and the work involved to reach a resolution, it is a
6 reasonable sum. It took over 14 months from the court's mandate to complete the
7 Remand. At Staff's request, there were multiple rounds of prefiled testimony,
8 followed by additional hearings and briefings. Both Staff and RUCO hired
9 independent expert witnesses to testify. These witnesses filed lengthy and
10 complex testimony on the issues before the Commission. This forced the
11 Company to respond, and so on, and so on. The issue presented was complex and
12 hotly contested, and over the course of nearly a year and a half, it all adds up. In
13 addition, we should keep in mind that the Company was forced to pursue this
14 course of action in large part due to the unconstitutional decision of the
15 Commission.

16 **Q. DID THE COMPANY TAKE STEPS TO KEEP ITS RATE CASE**
17 **EXPENSE DOWN?**

18 A. Yes, but first, I think we have to be careful not to blame CCWC and its "litigation
19 team". This whole proceeding began because the Company believed that the
20 Commission had inappropriately calculated its fair value rate of return in Decision
21 No. 68176. Once the Commission rejected the Company's request for rehearing,
22 the Company turned to the Court of Appeals, which ultimately upheld the
23 Company's position that Decision No. 68176 was contrary to the Arizona
24 Constitution.

25 Once the court's mandate was issued in May 2007, the Company's early
26 attempts to reach a settlement were unsuccessful. Once Staff and RUCO brought

1 in their outside experts, CCWC did the reasonable thing which was to put on the
2 best possible case in order to assert its position and protect its rights. I see nothing
3 unreasonable in that decision.

4 As for cost cutting, legal counsel and I received significant support from
5 the Company's District Manager, Robert Hanford, and from the parent's general
6 office in California, throughout the proceedings. All of the notices and mailings,
7 which were substantial, were handled by the Company in-house. This means
8 CCWC absorbed those costs outside of "rate case expense". The Company also
9 obtained courtesy discounts from legal counsel in excess of \$40,000 for the
10 Remand. In other words, we all did what we could to reduce costs, but it still
11 added up to a lot of money.

12 **Q. YET, DESPITE INCURRING MORE THAN HALF A MILLION**
13 **DOLLARS, THE COMPANY ONLY SEEKS TO RECOVER \$258,511 FOR**
14 **RATE CASE EXPENSE FOR THE APPEAL AND REMAND?**

15 **A.** That is correct.

16 **Q. HOW DID THE COMPANY ARRIVE AT THAT AMOUNT?**

17 **A.** First, we took one-half the Appeal fees and costs ($\$91,307/2=\$45,653$), since the
18 Company lost one of the two issues on Appeal. **Bourassa Supplemental**
19 **Testimony Exhibit 1.** To that, we added \$8,176 for CCWC's costs in the
20 Remand as those costs were incurred primarily to meet Commission filing and
21 other requirements. **Bourassa Supplemental Testimony Exhibit 2.** The
22 Company's expert witness costs were incurred primarily in response to the
23 positions taken by Staff's and RUCO's expert witnesses, so we believe recovering
24 eighty percent (80%) of those costs is appropriate ($\$105,853 \times 80\%=\$84,682.40$).
25 *Id.* No cost for CCWC's witness Ernie Gisler was included. Finally, we believe
26 that \$120,000 for legal expenses for the Remand proceeding (roughly 40% of the

1 amount actually incurred), is reasonable. The total of all this is \$258,511. This
2 leaves the Company absorbing more than a quarter million dollars of rate case
3 expense for the Appeal and Remand.

4 **Q. HAS THE COMPANY'S REQUEST CHANGED FROM THE AMOUNT**
5 **SOUGHT IN THE REMAND?**

6 A. Yes, in the Remand, the Company never modified its initial request to recover
7 \$100,000.

8 **Q. WHY IS THE COMPANY NOW CHANGING ITS REQUEST?**

9 A. The Company made its initial request of \$100,000 (\$50,000 for the Appeal and
10 \$50,000 for the Remand) before any proceedings had taken place. As the Remand
11 progressed, the Company provided Staff and RUCO with documentation that
12 easily showed rate case expense well in excess of the amount being requested.
13 When neither Staff nor RUCO challenged the amount or reasonableness of the
14 Company's request, there was no reason to revisit the total expense in detail.
15 Then, when the Commission directed CCWC towards this rate case, and a full-
16 blown analysis became necessary, the Company developed its requested level of
17 rate case expense as explained above. I would note though, nothing has been
18 included for the cost of having to seek recovery of this expense a second time.

19 **Q. DO YOU BELIEVE THAT THE COMMISSION CAN REWARD RATE**
20 **CASE EXPENSE FOR THE APPEAL AND REMAND?**

21 A. Yes, as I testified in the Remand in my prefiled testimony. *See* Remand Rebuttal
22 Testimony of Thomas J. Bourassa at 9-13. In fact, it appears to me that the
23 Remand Decision rejected all of Staff's arguments as to why no rate case expense
24 can or should be awarded by concluding that some expenses might appropriately
25 be recovered, just not until this rate case. Remand Decision at 39. This means to
26 me that the Company's burden is to show that its request is verifiable and

1 reasonable, items which were not challenged by Staff or RUCO in the Remand
2 Proceeding. I believe I have shown the Company's request level of rate case
3 expense to be more than reasonable under the circumstances.

4 **Q. WHAT DOES THE COMPANY PROPOSE TO DO TO ALLOW STAFF**
5 **AND RUCO TO VERIFY THE COMPANY'S RATE CASE EXPENSES?**

6 A. First, the two exhibits attached to this testimony provide an itemized summary of
7 all costs for the Appeal and Remand. Second, in addition to the back-up
8 documentation already provided in the Remand, copies of invoices issued by any
9 of the consultants/experts will be provided again upon request. Third, the
10 Company has already worked out an arrangement with Staff and RUCO to review
11 detailed statements of legal fees and costs subject to a confidentiality arrangement.
12 I am confident the Company's request can and will be verified.

13 **IV. PROPOSED RECOVERY MECHANISM.**

14 **Q. HOW DO YOU PROPOSE THAT THE COMPANY RECOVER THE**
15 **REQUESTED REMAND RATE CASE EXPENSE?**

16 A. The Company proposes to collect the \$258,511 via a commodity surcharge. The
17 surcharge would be computed using the gallons sold (in 1,000 gallons) during the
18 most recent full twelve months.

19 **Q. WHAT WERE THE GALLONS SOLD FOR THE 12 MONTHS ENDED**
20 **DECEMBER 31, 2006?**

21 A. 2,084,339 thousand gallons.

22 **Q. WHAT WOULD BE THE COMMODITY RATE BE BASED ON THIS**
23 **NUMBER OF GALLONS?**

24 A. \$0.124 per 1,000 gallons (\$258,511 divided by 2,084,339 rounded).
25
26

1 Q. WHAT WOULD BE THE IMPACT ON THE AVERAGE ¾ INCH
2 MONTHLY BILL?

3 A. Based on the Company's recent rate application using a Test Year ending
4 December 31, 2006, the average usage for a ¾ inch meter was 8,450 gallons.
5 Thus, a ¾ inch metered customer using an average 8,450 gallons would see an
6 increase in the monthly bill of \$1.05 (rounded), or a 3.24% increase, over the
7 average bill of \$32.38.

8 Q. WHAT TIMEFRAME WOULD THE SURCHARGE BE IN EFFECT?

9 A. Until the \$258,511 is collected. Presumably, if the same number of gallons was
10 sold during the period of collection of the surcharge as was used in the
11 computation of the surcharge, it would take 12 months. But, it could take more or
12 less than 12 months depending on water sales.

13 Q. WOULD THE COMPANY SUBMIT ITS COMPUTATION FOR THE
14 COMMODITY RATE TO STAFF AS A COMPLIANCE ITEM AND
15 BEFORE IT BEGINS IMPLEMENTING THE SURCHARGE?

16 A. Yes.

17 Q. WOULD THE COMPANY STOP CHARGING THE SURCHARGE WHEN
18 IT HAS COLLECTED THE ENTIRE \$258,511?

19 A. Yes. A final report showing the collections would also be submitted to the
20 Commission at that time as a compliance item.

21 Q. DOES THIS SURCHARGE HAVE ANY IMPACT ON THE COMPANY'S
22 REQUEST FOR RATE CASE EXPENSE IN THIS CASE?

23 A. The recovery of the Appeal/Remand rate case expense would be independent of
24 the rate case expense for the pending general rate case.

25 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

26 A. Yes.

Bourassa Supplemental Testimony

EXHIBIT 1

CHAPARRAL CITY WATER COMPANY

**Fennemore Craig
Summary of Invoice Fees and Costs¹
Before the Arizona Court of Appeals, No. 1 CA-CC 05-0002**

Billing Month	Adjusted Fees	Adjusted Costs
October 2005	\$ 3,208.00	\$ 174.56
November 2005	1,162.50	78.30
December 2005	14,478.00	57.20
January 2006	21,403.00	111.16
February 2006	16,551.00	597.52
March 2006	240.00	178.67
April 2006	1,747.50	99.96
May 2006	20,507.00	626.00
February 2007	10,065.00	21.65
Totals	\$ 89,362.00	\$ 1,945.02

Grand Total: \$ 91,307.02

¹Attorneys' fees and costs have been adjusted to remove fees and costs related to post-decision compliance matters and other matters unrelated to Chaparral City's appeal.

Bourassa Supplemental Testimony

EXHIBIT 2

Chaparral City Water Company
ACC Docket No. W-02113A-04-0616
On remand from the Arizona Court of Appeals, No. 1 CA-CC 05-0002

RATE CASE ITEMIZATION

Billing Month	Bourassa¹	Zepp	Walker	Fennemore Craig Attorneys Fees (Adjusted)²	Fennemore Craig Costs³
2007					
March	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,057.50	\$ 0.00
April	928.20	0.00	0.00	2,868.50	18.00
May	2,377.20	0.00	0.00	7,553.50	43.10
June	2,370.90	337.50	0.00	15,400.00	292.28
July	0.00	0.00	0.00	4,444.00	127.10
August	0.00	1,237.50	0.00	3,723.50	8.85
September	1,921.50	11,250.00	2,780.00	21,862.50	48.08
October	10,775.10	5,737.50	4,900.00	51,954.50	726.27
November	833.70	6,088.80	8,485.00	12,248.50	729.78
December	609.00	4,974.14	0.00	17,935.50	239.91
2007 total	\$ 19,815.60	\$ 29,625.44	\$ 16,165.00	\$ 139,048.00	\$ 2,233.37
2008					
January	\$ 11,329.50	\$ 13,793.29	\$ 8,995.90	\$ 47,697.50	\$ 1,024.37
February	270.90	460.00	2,137.50	39,430.00	4,068.77
March	516.60	690.00	0.00	56,319.00	491.81
April	0.00	0.00	0.00	80.00	0.00
May	0.00	0.00	0.00	2,245.00	3.12
June	0.00	0.00	0.00	0.00	48.40
July	2,053.80	0.00	0.00	30,415.00 ⁴	306.32 ⁵
2008 total	\$ 14,170.80	\$ 14,943.29	\$ 11,133.40	\$ 176,186.50	\$ 5,942.79
Subtotal (03/07-07/08)	\$ 33,986.40	\$ 44,568.73	\$ 27,298.40	\$ 315,234.50	\$ 8,176.16

Grand Total: \$ 429,264.19

¹ Several invoices issued by Mr. Bourassa combined fees for both the Remand Proceeding and CCWC's 2006 Rate Case. These invoice amounts have been adjusted to remove fees for the 2006 Rate Case.

² Amounts have been adjusted to exclude write-offs and other discounts.

³ CCWC paid all costs related to publication and mailing of the Notice of Hearing. These costs are above the dollar amount being requested.

⁴ July 2008 attorneys fees do not include fees for any legal services performed in connection with CCWC's Application for Rehearing.

⁵ July 2008 costs do not include any costs in connection with CCWC's Application for Rehearing.

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6 **BEFORE THE ARIZONA CORPORATION COMMISSION**
7

8 IN THE MATTER OF THE APPLICATION
OF CHAPARRAL CITY WATER
9 COMPANY, INC., AN ARIZONA
CORPORATION, FOR A
10 DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT
11 AND PROPERTY AND FOR INCREASES
IN ITS RATES AND CHARGES FOR
12 UTILITY SERVICE BASED THEREON.

DOCKET NO. W-02113A-07-0551

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18 **REBUTTAL TESTIMONY OF**
19 **THOMAS J. BOURASSA**
20 **(RATE BASE, INCOME STATEMENT,**
21 **REVENUE REQUIREMENT, RATE DESIGN)**
22
23
24
25
26

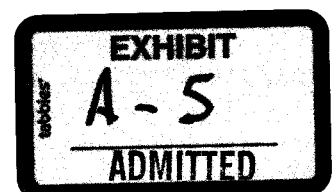


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1 **I. INTRODUCTION, PURPOSE AND SUMMARY.**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS?**

3 A. My name is Thomas J. Bourassa and my business address is 139 W. Wood Drive,
4 Phoenix, AZ 85029.

5 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THE**
6 **INSTANT CASE?**

7 A. Yes, my direct testimony was submitted in support of the initial application filed
8 on September 26, 2007. There were two volumes, one addressing rate base,
9 income statement and rate design, and the other addressing cost of capital.

10 **Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?**

11 A. I will provide rebuttal testimony in response to the direct filings by Arizona
12 Corporation Commission Utilities Division Staff ("Staff") and by the Residential
13 Utilities Consumer Office ("RUCO"). More specifically, this first volume of my
14 rebuttal testimony relates to rate base, income statement and rate design for
15 Chaparral City Water Company ("Company" or "CCWC"). In a second, separate
16 volume of my testimony, I also present an update to the Company's requested cost
17 of capital as well as provide responses to Staff and RUCO on the cost of capital
18 and rate of return applied to the fair value rate base, and the determination of
19 operating income.

20 **Q. WHAT IS THE REVENUE INCREASE THAT THE COMPANY IS**
21 **PROPOSING IN ITS REBUTTAL FILING?**

22 A. The Company is requesting an increase in revenues of \$2,990,549, an increase of
23 39.85% over test year revenues for a total revenue requirement of \$10,495,967.
24
25
26

1 Q. HOW DOES THIS COMPARE WITH THE COMPANY'S DIRECT
2 FILING?

3 A. In the direct filing, the Company requested an increase in revenues of \$3,063,400,
4 an increase of 41.14% for a total revenue requirement of \$10,509,828.

5 Q. SO THE REVENUE REQUIREMENT IN THE REBUTTAL FILING IS
6 LOWER THAN IN THE DIRECT FILING?

7 A. Yes. The Company has adopted a number of adjustments recommended by Staff
8 and/or RUCO, as well as proposed a number of adjustments of its own. However,
9 the Company's proposed rebuttal rate of return is higher, primarily due to my
10 updated cost of capital analysis. Still, by selecting a rebuttal cost of equity lower
11 than my updated analysis supports, which I have done in an effort to reduce
12 dispute, coupled with the rebuttal adjustments, our rebuttal revenue requirement is
13 lower than in the direct filing.

14 Specifically, the Company's rebuttal filing reflects a decrease in proposed
15 operating expenses of \$84,663 to a total of \$6,564,766. Similarly, due to various
16 adjustments, CCWC's rebuttal Original Cost Rate Base ("OCRB"), Reproduction
17 Cost Rate Base ("RCRB"), and Fair Value Rate Base ("FVRB") have decreased.
18 The OCRB decreased by \$74,450 from the direct filing to \$22,663,316. The
19 RCRB decreased by \$1,863,863 to \$32,871,183 and FVRB decreased by \$969,157
20 to \$27,767,249.

21 **II. REVENUE REQUIREMENT.**

22 Q. PLEASE COMPARE THE REVENUE REQUIREMENTS AND RATE
23 INCREASES FOR THE COMPANY, STAFF, AND RUCO.

24 A. The proposed revenue requirements and proposed rate increases are as follows:

	Revenue Requirement	Revenue Incr.	% Increase
Company-Direct	\$10,509,828	\$3,063,400	41.14%

1	Staff	\$ 9,181,965	\$1,735,265	23.30%
2	RUCO	\$ 8,571,434	\$1,062,786	14.15%
3	Company Rebuttal	\$10,495,967	\$2,299,057	39.85%

4 **Q. HOW WAS THE INCREASE IN THE REVENUE REQUIREMENT**
5 **DETERMINED?**

6 A. The Company's calculation of the revenue requirement is shown on rebuttal
7 schedule A-1. The increase in the revenue requirement starts with the FVRB. The
8 Company's proposed rate of return is applied to the FVRB to determine the
9 required operating income. The difference between the required operating income
10 and the adjusted test year operating income is the operating income deficiency.
11 The operating income deficiency is then multiplied by the revenue conversion
12 factor to account for income taxes. The result is the increase in the revenue
13 requirement. The revenue requirement is equal to the adjusted test year revenue
14 plus the increase in the revenue requirement.

15 **Q. WHAT IS THE COMPANY'S PROPOSED RATE OF RETURN?**

16 A. 10.00%. This is based on the weighted average cost of capital. I discuss the
17 Company's proposed rate of return and my cost of capital analysis in the second
18 volume of my rebuttal testimony.

19 **III. RATE BASE.**

20 **Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE**
21 **BASE RECOMMENDATIONS?**

22 A. The rate bases proposed by all parties in the case are as follows:

23		<u>OCRB</u>	<u>RCRB</u>	<u>FVRB</u>
24	Company-Direct	\$22,737,766	\$34,735,046	\$28,736,406
25	Staff	\$21,644,877	\$32,455,951	\$27,050,414
26	RUCO	\$21,328,051	\$33,674,604	\$27,501,327

1 Company Rebuttal \$22,663,316 \$32,871,183 \$27,767,249

2 **A. Original Cost Rate Base.**

3 **Q. PLEASE DISCUSS THE COMPANY'S PROPOSED ORIGINAL COST**
4 **RATE BASE, AND IDENTIFY ANY ADJUSTMENTS YOU HAVE**
5 **ACCEPTED FROM STAFF AND/OR RUCO?**

6 A. The Company's rebuttal rate base adjustments to OCRB are shown on rebuttal
7 schedules B-2, pages 2 through 6. Rebuttal schedule B-2, page 1, shows the
8 rebuttal OCRB. Schedule B-2, page 2, summarizes the adjustments made to the
9 OCRB.

10 Rebuttal OCRB adjustment number 1, as shown on B-2, page 3, adjusts
11 plant-in-service and reflects adoption of several recommendations by both Staff
12 and RUCO. There are 5 proposed adjustments to plant-in-service that are reflected
13 in columns labeled as "A", "B", "C", "D", and "E". The first adjustment
14 (column A) on B-2, page 3, corrects the plant-in-service balance to match the B-2
15 plant detail schedule included in the Company's direct filing. Staff recognizes,
16 and the Company agrees, that \$32,536 of plant was excluded from the plant-in-
17 service balance shown on the Company's direct B-1 and B-2 schedules. The
18 \$32,536 was included in the Company's plant detail schedule B-2, pages 3a to 3c,
19 but failed to get carried forward to the summary schedules B-1 and B-2, page 1.
20 *See* Direct Testimony of Marvin E. Millsap ("Millsap Dt.") at 4-5. This error was
21 disclosed during discovery. The \$32,536 was properly included in the Company's
22 direct RCRB plant-in-service amount.

23 **Q. WHAT CONSTITUTES THE \$32,536 ERROR TO OCRB PLANT-IN-**
24 **SERVICE?**

25 A. The Company had failed to record capitalized expenses from the prior rate case.
26 *See* Decision No. 68176 (September 30, 2005) at 8. When I prepared the plant

1 additions and retirements schedule (Company Direct Schedule B-2, page 3a-3c), I
2 started with the plant balance approved in the last rate case. As the Direct
3 Schedule B-2, page 3c shows, the computed plant balance at the end of the test
4 year (December 31, 2006) was \$51,053,253. The B-2, page 1 ("Actual End of test
5 Year"), reflects the Company's recorded amount of \$51,020,714, a difference of
6 \$32,539. The \$3 difference between the \$32,536 and the \$32,539 is due to
7 rounding to whole dollar amounts on the Company's Direct Schedule B-2, page 3a
8 to 3c. Putting this aside, there was no proposed direct filing adjustment to correct
9 the discrepancy.

10 **Q. DOES RUCO'S PROPOSED OCRB PLANT-IN-SERVICE RECOGNIZE**
11 **THIS ERROR?**

12 A. No, instead RUCO removes the \$32,536 from RCRB plant-in-service claiming the
13 amount was double counted. *See* Direct Testimony of Timothy J. Coley ("Coley
14 Dt.") at 7 and 26. I do not agree with RUCO's adjustment and cannot find support
15 for it.

16 **Q. THANK YOU. PLEASE CONTINUE.**

17 A. The second adjustment, included as part of rebuttal OCRB adjustment number 1
18 (column B), increases land and land rights by \$1,280,000. This is the result of
19 CCWC accepting Staff's recommended reclassification of these costs to deferred
20 regulatory assets. Millsap Dt. at 15-18. In the Company's direct filing, the
21 Company had proposed that the cost to acquire an additional 1,931 acre-feet
22 ("a.f.") of Central Arizona Project ("CAP") water allocation be included in rate
23 base as a deferred regulatory asset and amortized over 20 years. *See* Direct
24 Testimony of Thomas J. Bourassa ("Bourassa Dt.") at 11.
25
26

1 Q. DOES STAFF PROPOSE THAT THE CAP COSTS BE SUBJECT TO
2 AMORTIZATION?

3 A. No. As a land and land right, the cost would not be subject to amortization.
4 Millsap Dt. 16. However, both CCWC and Staff are in agreement that the
5 acquisition cost should be included in rate base. I will discuss operating expense
6 adjustments related to the additional CAP allocation later in my testimony.

7 Q. WHAT IS RUCO'S POSITION ON THE ADDITIONAL CAP
8 ALLOCATION COSTS?

9 A. RUCO excludes the entire \$1,280,000 from rate base asserting that none of the
10 additional CAP allocation is used and useful. Coley Dt. at 20-22. In his rebuttal
11 testimony, Mr. Hanford explains why RUCO's position, that this additional
12 allocation is not used and useful, is short-sighted and inconsistent with the realities
13 of operating a water utility in Arizona. Rebuttal Testimony of Robert N. Hanford
14 ("Hanford Rb.") at 5-7.

15 From a ratemaking standpoint, I agree. As Mr. Hanford explains, the
16 acquisition was a one-time opportunity to acquire a fixed allocation. The
17 additional allotment will allow the Company to further the goal of limiting use of
18 ground water, and, if there is ever a curtailment of CAP water, the additional
19 allocation will provide the Company with greater CAP water availability. For
20 example, the Company's previous allocation was 6,978 a.f. With the additional
21 1,931 a.f., the Company's total allocation is 8,909 a.f. If CAP implements a 30%
22 curtailment because of drought, the Company's CAP water availability at 6,978
23 a.f. would drop to 4,885 a.f., whereas at 8,909 a.f. the water availability would
24 drop to 6,236 a.f. Any shortfall in the water supply needed to serve customers
25 would have to be made up by pumping groundwater and/or through
26 implementation of extreme conservation measures. Based on the example above

1 and the amount of CAP allocation utilized during the test year (all 6,978 a.f.),
2 approximately 2,093 a.f. would need to be produced by pumping ground water
3 (6,978 a.f. minus 4,885 a.f.) whereas with the additional allocation, approximately
4 only 742 a.f. would need to be produced by pumping ground water.

5 The bottom line is that ratepayers benefit by the Company proactively
6 securing an additional long-term water supply to meet the needs of its customers.
7 This makes it used and useful and appropriately afforded rate base treatment in this
8 case.

9 **Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE COMPANY'S**
10 **PROPOSED OCRB RATE BASE ADJUSTMENTS.**

11 A. The third adjustment, included as part of rebuttal OCRB adjustment number 1
12 (column C), adopts Staff's proposal to capitalize certain operating expenses
13 (outside services) totaling \$37,674 and RUCO's proposal to capitalize certain
14 operating expenses (repairs and maintenance) totaling \$43,217. Millsap Dt. at 24;
15 Scott Dt. at 9; and Coley Dt. at 15-16.

16 The fourth adjustment, included as part of rebuttal OCRB adjustment
17 number 1 (column D), adopts both Staff's and RUCO's proposal to retire wells 8
18 and 9 and water treatment facilities that are no longer in service. Millsap Dt. at 25-
19 26; Scott Dt. at 7; and Coley Dt. at 4-5.

20 **Q. IS THERE AGREEMENT BETWEEN THE PARTIES ON THE COSTS TO**
21 **BE REMOVED FROM PLANT-IN-SERVICE?**

22 A. No. There is slight disagreement between CCWC and RUCO on the cost of wells
23 8 and 9 – totaling \$3,944. The Company proposes a total cost of \$107,412, which
24 reconciles to Staff's cost, whereas RUCO proposes costs of \$103,468. See Staff
25 Schedule MEM-8 and RUCO Schedule TJC-7. All of the parties are essentially in
26

1 agreement of the cost of the retired water treatment facilities, a total of \$2,010,922
2 using Staff's rounded number.

3 **Q. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF**
4 **REBUTTAL ADJUSTMENTS TO OCRB.**

5 A. The fifth adjustment included as part of rebuttal OCRB adjustment number 1
6 (column E), adopts Staff's proposal to reclassify certain costs from one plant
7 category to another. Scott Dt. 8-9. The net impact on plant-in-service is zero.

8 Rebuttal OCRB adjustment number 2, as shown on B-2, page 4, adjusts
9 accumulated depreciation reflecting changes to accumulated depreciation from the
10 plant-in-service adjustments adopted in rebuttal OCRB adjustment number 1.
11 There are 3 proposed adjustments to accumulated depreciation that are reflected in
12 the columns labeled as "A", "B", and "C".

13 The first adjustment, included as part of rebuttal OCRB adjustment
14 number 2 (column A), increases accumulated depreciation for the capitalized
15 expenses proposed in rebuttal OCRB adjustment 1 (column B). Additional
16 accumulated depreciation is computed using the half-year convention. Staff makes
17 a similar adjustment for its proposed capitalized expenses while RUCO does not
18 appear to make this adjustment.

19 The second adjustment, included as part of rebuttal OCRB adjustment
20 number 2 (column B), removes the costs of the retired wells 8 and 9 and the water
21 treatment facilities from accumulated depreciation. This adjustment corresponds
22 to the plant-in-service adjustment in rebuttal OCRB adjustment 1 (column C). All
23 the parties make similar adjustments for the retirements although, as I previously
24 testified, RUCO has a lower cost for the retired wells.

25 The third adjustment, included as part of rebuttal OCRB adjustment
26 number 2 (column C), adjusts accumulated depreciation for the reclassified plant

1 costs reflected in rebuttal OCRB adjustment number 1 (column E). Computed
2 accumulated depreciation (based on the year in service and the depreciation rate
3 for the old plant account) is removed from the old plant account and computed
4 accumulated depreciation (based on the year in service and the depreciation rate
5 for the new plant account) is added to the new plant account. The half-year
6 convention is used in the computations.

7 **Q. ARE THE COMPANY'S PROPOSED ADJUSTMENTS TO**
8 **ACCUMULATED DEPRECIATION THE SAME AS STAFF'S?**

9 A. No. Staff's adjustments net to zero, whereas the Company's adjustments net to
10 \$2,875. One obvious difference in the accumulated depreciation adjustment is that
11 Staff adjusts accumulated depreciation downward by \$6,487 for the \$34,062 for
12 account 303 – Land and Land Rights reclassified to account 320 – Water
13 Treatment Equipment. See Staff Schedule MEM-11, line 53. However, no
14 accumulated depreciation was included for this cost in the Company's direct filing.
15 Another obvious difference is Staff's computed depreciation of \$2,908 for the
16 reclassified \$34,062. My computed accumulated depreciation is lower at \$2,482.

17 **Q. HOW DID YOU COMPUTE THE \$2,482?**

18 A. The \$34,062 of cost was added in 2004. The depreciation rate for the 320 – Water
19 Treatment and Equipment account from December 2003 through the end of
20 September 2005 was 2.5% (the date of Decision 68176 was September 30, 2005).
21 From October 2005 through the December 2006 the authorized depreciation rate
22 was 3.33% (based on Decision 68176). Using the half-year convention,
23 depreciation for the \$34,062 of cost would be as follows:

24 2004 \$34,062 times 2.5% times 0.5 or \$426 (rounded)

25 2005 \$34,062 times 2.5% times 9/12 or \$639 (rounded)

26 2005 \$34,062 times 3.33% times 3/12 or \$284 (rounded)

1 2006 \$34,062 times 3.33% times 1 or \$1,134 (rounded)

2 These amounts total \$2,483 – a \$1 difference from the \$2,482 due to rounding.

3 **Q. DID YOU USE A SIMILAR COMPUTATION METHOD FOR ALL**
4 **OTHER COMPUTED DEPRECIATION AMOUNTS REFLECTED IN THE**
5 **COMPANY’S SCHEDULES?**

6 A. Yes. I believe that the Company’s proposed accumulated depreciation adjustments
7 follow the correct methodology and results in amounts that should be adopted,
8 should the plant-in-service reclassification proposal be adopted.

9 **Q. OKAY. PLEASE CONTINUE.**

10 A. Rebuttal OCRB adjustment number 3, as shown on Rebuttal Schedule B-2, page 5,
11 reflects the adoption of Staff’s proposed adjustments to the general office (“GO”)
12 plant. Millsap Dt. at 20. There is only one adjustment included as part of rebuttal
13 OCRB adjustment number 3 reflected in the column labeled as “A”. This
14 adjustment removes \$420,000 for a CPUC management audit from account 302 –
15 Other Intangible Plant, removes \$820,254 for of a water management plant
16 unrelated to CCWC from account 339 – Other Plant and Misc. Equipment, and
17 removes \$274,001 for “luxury vehicles” from account 341 – Transportation
18 Equipment.

19 The Company’s proposed allocation factor for the GO plant is 2.8%. This
20 is the recommendation made by RUCO. Coley Dt. at 17.

21 **Q WHAT ALLOCATION RATE DOES STAFF PROPOSE?**

22 A. Staff’s proposed allocation factor is 4.0%. The 4.0% is based on an updated
23 4-factor computation prepared by Staff using 2006 information. Millsap Dt. at 19.
24 Arguably, the 4-factor allocation rate proposed by Staff is more correctly matched
25 to the test year. However, the Company has chosen to adopt the 2.8% in the
26

1 instant case, which results in a lower revenue requirement, in an effort to eliminate
2 disputed issues between the parties.

3 **Q. PLEASE CONTINUE.**

4 A. Rebuttal OCRB adjustment number 4, as shown on B-2, page 6, adjusts
5 accumulated depreciation based on the GO plant-in-service adjustments proposed
6 in rebuttal OCRB adjustment number 3. There is only one adjustment included as
7 part of rebuttal OCRB adjustment number 4 reflected in the column labeled as
8 "A". Staff proposes a similar adjustment to accumulated depreciation. *See* Staff
9 Schedule MEM-8, page 2 of 3. However, Staff understates its adjustment to
10 accumulated depreciation for transportation equipment.

11 **Q. PLEASE EXPLAIN.**

12 A. The accumulated depreciation adjustment should equal the cost of the vehicles
13 removed, or \$274,001, because those vehicles were considered fully depreciated in
14 the Company's direct filing. Staff's computed accumulated depreciation
15 adjustment for transportation equipment is \$43,667 — \$230,334 less. GO
16 transportation equipment was fully depreciated according to the Company's direct
17 filing. Proof of this can be found in the Company's Direct Schedule B-2, pages 3
18 and 4 where GO transportation equipment total \$552,718 and GO accumulated
19 depreciation for transportation equipment is \$552,718, respectively.

20 **Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE REBUTTAL**
21 **ADJUSTMENTS TO RATE BASE.**

22 A. Rebuttal OCRB adjustment number 4, removes the CAP allocation cost from
23 deferred regulatory assets. As I previously testified, Staff recommends, and the
24 Company has adopted, the reclassification of the CAP acquisition costs to plant-in-
25 service account 303 – Land and Land rights.

1 Rebuttal OCRB adjustment number 6 adopts RUCO's proposed negative
2 cash working capital of \$111,606. Coley Dt. at 22-24. Both RUCO and the
3 Company are in agreement on the amount of working capital of \$95,400, which
4 includes Prepayments in the amount of \$192,485 and Materials and Supplies of
5 \$14,521 and cash working capital of negative \$111,606.

6 **Q. DID RUCO PREPARE A LEAD-LAG STUDY?**

7 A. Yes, the Company has accepted this study in a further effort to eliminate issues in
8 dispute.

9 **Q. WHAT IS STAFF'S RECOMMENDATION FOR WORKING CAPITAL?**

10 A. Zero. Millsap Dt. at 22-23. Staff not only removes Prepayments of \$192,485 and
11 Material and Supplies of 14,521 from rate base, but also Unamortized Debt
12 Issuance costs of \$424,010 as part of its working capital adjustment. *Id.* Mr.
13 Millsap asserts that working capital should be zero because the Company did not
14 file a lead-lag study to determine cash working capital. *Id.* While the Company
15 provided a computation of cash working capital using the formula method, it
16 proposed zero cash working capital.

17 **Q. ARE UNAMORTIZED DEBT ISSUANCE COSTS A PART OF WORKING**
18 **CAPITAL?**

19 A. No, they are not, however, the Company included these costs in rate base in the
20 instant case in order to properly match the rate base with the cost of debt in the rate
21 of return. Unamortized debt issuance costs, when amortized, increase interest
22 expense.

23 **Q. WILL THE FAILURE TO INCLUDE THE UNAMORTIZED DEBT**
24 **ISSUANCE COSTS CREATE A MISMATCH BETWEEN THE RATE**
25 **CASE AND THE RATE OF RETURN?**

1 A. Yes. Failure to recognize the unamortized debt issuance costs in rate base, as Staff
2 has done, results in a mismatch between the rate of return and the rate base. Staff
3 admits that the debt issuance costs are a "below the line" expense (when
4 amortized) and are the same as interest expense and should be paid from the return
5 on the rate base portion. Millsap Dt. 23. However, Staff did not adjust the cost of
6 debt in their return. Thus, the mismatch.

7 **Q. DID THE COMPANY SYNCHRONIZE INTEREST EXPENSE WITH THE**
8 **FVRB IN ITS DIRECT FILING?**

9 A. Yes. Bourassa Dt. at 18.

10 **Q. ARE THERE ANY OTHER ADJUSTMENTS PROPOSED BY STAFF**
11 **THAT THE COMPANY HAS NOT ACCEPTED?**

12 A. Yes. The Company does not agree with Staff on the treatment of the proceeds
13 from a settlement between the Company and the Fountain Hills Sanitary District
14 ("FHSD") involving two wells owned by the Company. The proceeds equaled
15 \$1,520,000. Staff proposes that it's computed unamortized portion of the entire
16 settlement proceeds, or \$1,216,000, be included in rate base as a deduction.
17 Millsap Dt. at 15. This adjustment penalizes CCWC for taking the risk to pursue a
18 settlement with FHSD, therefore, the Company continues to propose an equal
19 sharing of the settlement proceeds with ratepayers, and continues to include only
20 one-half of the unamortized portion, or \$646,000 in rate base as a deduction.

21 **Q. DO THE COMPANY AND STAFF AGREE ON THE AMORTIZATION**
22 **PERIOD OF 10 YEARS?**

23 A. Yes. However, I computed amortization for 2005 and 2006 using a half-year
24 convention, whereas Staff computed amortization for 2005 and 2006 using a full-
25 year convention. Staff's unamortized balance would have been 1,292,000 rather
26 than \$1,218,000 had they used half-year convention for computing amortization.

1 Q. DIDN'T CCWC ASSERT THAT IT PROPOSED THIS TREATMENT
2 CONSISTENT WITH PAST COMMISSION DECISIONS?

3 A. Yes, in the Arizona Water Company-Eastern Group rate case, the Commission
4 rejected the utility's proposal to retain all the settlement proceeds for its own
5 benefit, and Staff's proposal to treat the settlement proceeds in a manner that
6 inured to the sole benefit of the ratepayers. Decision No. 66849 (March 19, 2004).
7 In adopting RUCO's proposal that the settlement proceeds be shared equally
8 between ratepayers and the utility, the Commission found that an equal sharing of
9 the settlement proceeds "provides a reasonable balance between the rights of
10 shareholders and ratepayers and will provide the Company with a sufficient
11 incentive to pursue future settlement or litigation of claims that the Company and
12 its customers may be entitled to receive." *Id.* at 35.

13 Q. DOES STAFF DISAGREE THAT DECISION NO. 66849 SUPPORTS
14 CCWC'S PROPOSED TREATMENT OF THE FHSD SETTLEMENT
15 PROCEEDS?

16 A. Yes. For one thing, Staff appears to be of the view that no prior Commission
17 decision has value as precedent. *See* Staff Response to Company data request
18 1.45, attached hereto as **Bourassa Rebuttal Exhibit 1**. I will leave it to the
19 lawyers to argue over whether the Commission can issue inconsistent decisions,
20 but I would note that in reaching its conclusion in the Arizona Water rate case the
21 Commission expressly relied upon a prior case for TEP as support for its position.
22 Decision No. 66849 at 35. Beyond that, Staff's sole claim is that the Arizona
23 Water case is not precedent because in that case the utility received replacement
24 water and a settlement payment. Millsap Dt. at 15. Staff does not explain, nor do I
25 see how this makes a difference. For starters, as Mr. Hanford explains in his
26 rebuttal testimony, the Company was not even using the water from Well No. 8 to

1 provide potable water service to ratepayers. Second, the Commission rejected
2 Staff's recommendation to deprive shareholders of any benefit from the settlement
3 proceeds in that case to strike a fair balance and create an incentive to act in the
4 interests of ratepayers as well as shareholders. The Commission should do the
5 same thing in this case.

6 **B. Reconstruction Cost Rate Base.**

7 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S REBUTTAL**
8 **ADJUSTMENTS TO THE RCRB?**

9 A. The Company's rebuttal rate base adjustments to RCRB are shown on Rebuttal
10 Schedules B-3, pages 2 through 6. Rebuttal Schedule B-3, page 1, shows the
11 rebuttal RCRB. The rebuttal B-3 adjustments reflect the rebuttal B-2 adjustments
12 at the reconstruction cost level with one exception. The adjustment in column B of
13 rebuttal RCRB adjustment number 1 adopts RUCO's proposed RCN value
14 correction. Coley Dt. at 25-26. The correction is the result of my using an
15 incorrect Handy-Whitman index for year 2004 and account 304 – Structures and
16 Improvements. The Company's proposed downward adjustment of \$17,805
17 matches RUCO's proposed adjustment. *Id.*

18 **Q. DOES THE COMPANY CONTINUE TO PROPOSE A 50/50 WEIGHTING**
19 **OF OCRB AND RCRB AS ITS FVRB?**

20 A. Yes. Rebuttal schedule B-1 shows the OCRB, RCRB, and the FVRB.

21 **IV. INCOME STATEMENT.**

22 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
23 **ADJUSTMENTS TO REVENUES AND EXPENSES AND IDENTIFY ANY**
24 **ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR**
25 **RUCO?**

1 A. The Company rebuttal adjustments are detailed on Rebuttal Schedule C-2, pages
2 1-13. The rebuttal income statement with adjustments is shown on rebuttal
3 schedule C-1.

4 In rebuttal adjustment number one, the depreciation expense is annualized,
5 reflecting the plant-in-service adjustments discussed above. Depreciation expense
6 has decreased from the Company's direct filing due to the plant-in-service
7 adjustments I discussed above.

8 **Q. DO ALL PARTIES RECOMMEND THE SAME DEPRECIATION RATES?**

9 A. Yes.

10 **Q. IS STAFF'S DEPRECIATION EXPENSE DIFFERENT THAN THE**
11 **COMPANY'S?**

12 A. Yes, it is lower. Putting aside the capitalized expenses recommended by RUCO
13 and adopted by the Company, reclassifications of plant that are not in Staff's plant-
14 in-service balance, the primary difference in depreciation between Staff and the
15 Company is due to the differences in our respective depreciable plant-in-service
16 balances. For example, both the Company and Staff agree to the original cost
17 plant balance for account 331 - Distribution Reservoirs and Standpipe of
18 \$18,953,054. Compare Staff Schedule MEM-16, line 15, with the Company's
19 rebuttal schedule C-2, page 1, line 18. Depreciation for this account, based on the
20 \$18,953,053 and a depreciation rate of 2.0%, should be \$379,061 (\$18,953,053
21 times 2%). However, Staff uses the figure \$17,389,634 to compute depreciation
22 rather than the \$18,953,053. Staff's depreciation is \$349,013 (\$17,389,634 times
23 2%). Since the Company depreciates its plant by plant group or account, the
24 proper ratemaking approach is to depreciate the plant by group (account). Staff
25 does not explain why it utilized a lower base figure for computing depreciation.
26

1 Another example of a difference in the base figure used to compute
2 depreciation is for the account 347 – Miscellaneous Equipment. Both the
3 Company and Staff agree to the original cost plant balance for this account of \$0.
4 Yet, Staff uses the figure \$106,542. Compare Staff Schedule MEM-16, line 28,
5 with the Company's Rebuttal Schedule C-2, page 1, line 31, column labeled
6 "Rebuttal Original Cost". Staff recommended the \$106,542 be reclassified from
7 the account 347 – Miscellaneous Equipment to account 339 – Other Plant and
8 Miscellaneous Equipment (See Staff Schedule MEM-8, page 3 of 3, lines 159 and
9 160), which the Company adopted in its rebuttal OCRB adjustment number 1.
10 Again, Staff does not explain why it utilized the \$106,542 in computing
11 depreciation expense.

12 **Q. IS RUCO'S PROPOSED DEPRECIATION EXPENSE DIFFERENT THAN**
13 **THE COMPANY'S?**

14 A. Yes, it is higher. This reason for this is that RUCO's depreciation computations do
15 not include the plant-in-service adjustments, in particular the plant
16 reclassifications, proposed by Staff and adopted by the Company.

17 **Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME**
18 **STATEMENT ADJUSTMENTS.**

19 A. The Company accepts Staff's method of computing property taxes. This is the
20 same method that the Commission has consistently used in past cases. Bourassa
21 Dt. at 14. This method includes two years of adjusted revenues plus one year of
22 proposed revenues. Using this methodology, I computed the property taxes based
23 on the Company's proposed revenues, and then used the property tax rate that was
24 used in the direct filing. Rebuttal adjustment number 2 reflects the adjustment
25 using the Company's rebuttal proposed revenues.

26 **Q. HAVE YOU PROPOSED A CHANGE TO THE ASSESSMENT RATIO?**

1 A. Yes. The Company is recommending an assessment ratio of 22% instead of the
2 23% ratio utilized in the Company's direct filing. The 23% ratio, also used by
3 Staff, is the assessment ratio that will be used for computing 2008 property taxes.
4 The 22% will be used for the 2009 property tax year, and since this is now a
5 known and measurable change, I have made the additional adjustment.

6 **Q. WHAT ABOUT RUCO'S POSITION ON PROPERTY TAX EXPENSE?**

7 A. RUCO has finally modified its past method of computing property taxes, which
8 exclusively used historical year revenues to compute property taxes and was
9 repeatedly rejected by the Commission. RUCO now proposes to use two historical
10 years (2004 and 2005) and one year of RUCO's proposed revenues. Coley Dt. at
11 38-39; RUCO Schedule TJC-33. Mr. Coley also provides testimony as to an
12 alternative method that utilizes the last known and measurable year (2008) of
13 property tax expense with an additional adjustment to account for RUCO's
14 proposed level of revenues. Coley Dt. at 40. But RUCO does not explain how the
15 additional adjustment would be computed.

16 **Q. IS RUCO NOW FOLLOWING THE COMMISSION'S WELL-**
17 **ESTABLISHED METHODOLOGY?**

18 A. No, because RUCO utilizes 2004 and 2005 revenues and ignores 2006 revenues.
19 The rates in this case will go into effect sometime in 2009 and 2006 revenues have
20 already been included in the property tax valuation for 2007 reflected in the
21 property tax bill the Company already received in September 2007. And, the 2007
22 revenues and 2006 revenues have already been included in the 2008 property tax
23 valuation reflected in the property tax bill the Company received in September
24 2008. In other words, RUCO's property tax expense level continues to ensure that
25 the full impact of revenue increases on property tax expense will not be
26 recognized. So, it is two-steps forward, but one step back for RUCO, so to speak.

1 Q. WHAT ABOUT RUCO'S CLAIM THAT THE COMPANY HAS "OVER
2 RECOVERED" PROPERTY TAXES SINCE THE LAST RATE CASE?

3 A. This claim is flawed for a number of reasons. First, RUCO's claim seems
4 inconsistent with its position that you cannot look at single expenses in isolation
5 because some expenses go up after a rate case and some go down. See RUCO's
6 response to Company data request 1.48, attached hereto as **Bourassa Rebuttal**
7 **Exhibit 2**. Since CCWC did not earn its authorized return in the first full year the
8 new rates were in effect, the same year as the test year in this case, we know that
9 the net impact of expense increases outpaced any decreases. Therefore, the
10 Company did not over recover in any sense.

11 Second, RUCO's claim that the Company over recovered property taxes by
12 more than \$300,000 is misleading. Coley Dt. at 38. For one thing, the new rates
13 did not go into effect until October 2005, making RUCO's use of data going back
14 to 2004 totally inappropriate. Additionally, the actual level of property tax
15 expense incurred has changed since the last rate case for reasons that have nothing
16 to do with the methodology used by this Commission in the past. Instead, in 2005,
17 a bill was introduced into the Arizona Legislature to reduce the assessment ratio on
18 Class One property from 25% to 20% over 10 years (of ½% per year for 10 years)
19 starting in 2006 (HB 2779). Revisions to the property tax assessment ratio
20 reduction time frame were made in the final bill passed by the Arizona Legislature.
21 Now codified in A.R.S. §42-15001, the assessment ratio for Class One property
22 will decline from 25% to 20% starting in 2006 and going through 2011 tax year.
23 After property tax year 2011, the property tax rate will remain at 20%. The
24 changes to the assessment ratio were not contemplated in the property tax
25 computation in the last rate case. An assessment ratio of 25% was utilized. This
26 was the known and measurable assessment ratio at the time rates were set. The

1 assessment ratio in the instant case is 22% based on the ratio that will be in effect
2 for the 2009 property tax year.

3 Likewise, property tax rates have also changed since the computation
4 performed in the last case. In the last rate case, a property tax rate of 9.3587% was
5 utilized. Again, the property tax rate was the known and measurable rate at the
6 time rates were set. The property tax rate in 2006, and utilized in the Company's
7 direct filing, was 7.7913%. If the Commission were to approve adjuster
8 mechanisms for certain expenses, like many other states do, these types of changes
9 could be addressed between rate cases. Meanwhile, RUCO is misleading the
10 Commission by attempting to argue that there is still something wrong with the
11 Commission's well-established methodology based on the actual facts and
12 circumstances.

13 **Q. WHAT IS THE PROPERTY TAX RATE UTILIZED IN THE COMPANY'S**
14 **REBUTTAL PROPERTY TAX COMPUTATION?**

15 A. 6.9159%. This is the 2008 property tax rate and the most current known and
16 measurable property tax rate.

17 **Q. WHY DIDN'T THE COMPANY PROPOSE AN ASSESSMENT RATIO OF**
18 **20% IN THE INSTANT CASE?**

19 A. First, the Company is already proposing to use an assessment ratio three years
20 outside of the test year to set the assessment ratio used in the computation.
21 Second, and more importantly, the property tax rate employed in the property tax
22 computation could go up, offsetting any gains from a lower assessment ratio. It
23 could also go down as it did since the last rate case. By way of illustration, the
24 property tax rate for 2007 was 6.6505%. While the 2007 property tax rate is lower
25 than the rate for 2006, it is also lower than the rate for 2008. The problem is that
26 future changes to tax rates are not known and measurable at this time.

1 **Q. DO YOU HAVE ANY OTHER COMMENTS?**

2 A. Just to reiterate that there still remains a sound basis for the methodology this
3 Commission has consistently utilized. Like income taxes, which are also based on
4 the amount of revenue the utility realizes, property taxes must be adjusted to
5 ensure that the new rates are sufficient to produce the authorized return on rate
6 base. For this reason, since the new ADOR methodology was adopted several
7 years ago, the Commission has repeatedly approved the use of two years of
8 adjusted test year revenue and one year of proposed revenues to determine an
9 appropriate level of property tax expense to be recovered through rates. Bourassa
10 Dt. at 14.

11 **Q. DID YOU CORRECT THE NET BOOK VALUE FOR TRANSPORTATION**
12 **EQUIPMENT IN THE COMPANY'S REBUTTAL FILING PROPERTY**
13 **TAX COMPUTATION?**

14 A. Yes. RUCO witness, Mr. Coley, pointed this error out (Coley Dt. at 39) and it was
15 corrected. The net book value of transportation equipment used in the property tax
16 computation (rebuttal schedule C-2, page 2) matches RUCO's amount of
17 \$474,679.

18 **Q. THANK YOU. WOULD YOU PLEASE CONTINUE WITH YOUR**
19 **DISCUSSION OF THE INCOME STATEMENT ADJUSTMENTS.**

20 A. Rebuttal adjustment 3 increases rate case expense. The Company's rebuttal
21 proposed rate case expense is \$538,511 amortized over 3 years. There are two
22 components to this expense. The first component is the proposed rate case
23 expense for the instant case in the amount of \$280,000. This remains the same as
24 in the Company's direct filing. The second component is rate case expense for the
25 appeal of Decision 68176 (the "Appeal") and the Remand Proceeding ("Remand")
26 (Decision 70441 (July 28, 2008)). The Company is requesting approximately one-

1 half of the amount it expended, or \$258,511. I have previously testified in the
2 remand case regarding rate case expense. *See* Supplemental Testimony of Thomas
3 J. Bourassa ("Bourassa Rmd. Supp.") in Docket No. W-02113A-07-0551. Staff
4 and RUCO have reviewed supporting documentation for the amounts expended
5 and I am not aware of any dispute over the amounts the Company actually
6 incurred.

7 **Q. DOES THE COMPANY STILL WISH TO RECOVER RATE CASE**
8 **EXPENSE FOR THE APPEAL AND REMAND VIA A SURCHARGE?**

9 A. No, we have determined that it now makes more sense to simply roll these
10 expenses into the total award of rate case expense in this rate case. This change
11 simplifies the issue and may help to eliminate issues between the parties.

12 **Q. IS THERE A BASIS FOR SEEKING RECOVERY OF THE REMAND**
13 **RATE CASE EXPENSE IN THE INSTANT CASE?**

14 A. Yes. The Commission allowed the Company to seek recovery in this case.
15 Decision 70441 at 39.

16 **Q. WHAT HAPPENED TO THE UNRECOVERED RATE CASE EXPENSE**
17 **FROM THE 2003 RATE CASE?**

18 A. We have dropped this request. Not because we agree with Staff's or RUCO's
19 reasons for opposing recovery of unamortized rate case expense. Instead, because
20 the instant case has taken longer than expected, there will be only a small
21 unamortized rate case expense balance by the time this proceeding is completed
22 sometime in May or June 2009. To eliminate issue any dispute, CCWC is willing
23 to forego recovery of this unamortized amount.

24 **Q. DO YOU AGREE WITH STAFF'S VIEW THAT A "NORMALIZED"**
25 **AMOUNT OF RATE CASE EXPENSE SHOULD BE INCLUDED IN**
26 **OPERATING EXPENSES?**

1 A. No. Because rate case expense is incurred outside the test year and for the specific
2 purpose of obtaining rate relief, I believe rate case expense should be treated like a
3 deferred regulatory asset. Like other regulatory assets (e.g., plant-in-service), the
4 costs of deferred regulatory assets are recovered over time. Presumably, if the
5 amortization period for rate case expense (as with depreciation expense for plant-
6 in-service) approximates the time between when new rates are set, the utility will
7 recover the expense in full with neither an over collection nor under collection of
8 the expense.

9 **Q. COULDN'T A UTILITY OVER RECOVER RATE CASE EXPENSE IF IT**
10 **TOOK LONGER THAN THE AMORTIZATION PERIOD TO FILE FOR**
11 **NEW RATES?**

12 A. It is possible, but this has not happened in the instant case. The Company was
13 granted new rates at the end of September 2005 and filed for new rates nearly two
14 years later. If this case had progressed timely and not been delayed, new rates
15 would have been implemented sometime in November/December 2008. Thus,
16 three years would have elapsed between new rates, yet the \$285,000 of rate case
17 expenses the Company was allowed in Decision No. 68176 was amortized over 4
18 years.

19 Besides, a chance of "over" or "under" recovery does not alter the view that
20 rate case expense is a deferred regulatory asset. The problem is minimizing any
21 over or under recovery and this is a matter of timing. Utilities can "over" recover
22 on other regulatory assets if a long enough period of time elapses between rate
23 cases. By way of illustration, take transportation equipment.

24 Transportation equipment is typically depreciated over 5 years. Assume a
25 utility buys a new vehicle during a test year and files a rate case. The utility will
26 get 1/5 of the cost included in the revenue requirement as depreciation expense.

1 Assume further that the utility then files a second rate case in 3 years. The utility
2 will still get 1/5 of the cost in the revenue requirement as depreciation expense.
3 Finally, assume that after the second rate case the utility continues to use the
4 vehicle for the next 5 years and then files a third rate case. The vehicle would
5 have been fully depreciated by the end of year 6, which occurred between the
6 second and third rate case, but the revenue requirement would still include the
7 depreciation expense included in the revenue requirement from the second rate
8 case. The utility could be said to have over collected for at least 2 years.

9 **Q. WHAT AMOUNT OF RATE CASE EXPENSE IS STAFF**
10 **RECOMMENDING FOR THIS RATE CASE?**

11 A. \$150,000 "normalized" over 3 years. Millsap Dt. at 31-33. Staff also recommends
12 recovery of \$100,000 for the Appeal and Remand rate case expense. *Id.*

13 **Q. WHAT JUSTIFICATION DOES STAFF PROVIDE FOR REDUCING**
14 **RATE CASE EXPENSE FOR THE APPEAL AND REMAND BY MORE**
15 **THAN \$150,000?**

16 A. Staff argues that the Company only agreed to seek \$100,000 for the Appeal and
17 Remand. Millsap Dt. at 32. While the Company did seek only \$100,000
18 previously, that request based on estimates at the outset of the Remand proceeding.
19 That request was opposed by Staff, and the Commission told the Company to seek
20 its recovery of rate case expense for the Appeal and Remand in this case. When
21 we went back to prepare that request it became clear that \$100,000 was simply
22 inadequate given how much the Company was forced to incur as a result of the
23 Court ordered remand following its finding that the Commission violated the
24 Arizona Constitution.

25 **Q. HOW DID THE COMPANY COME UP WITH ITS REQUESTED \$258,511**
26 **IN RATE CASE EXPENSE FOR THE APPEAL AND REMAND?**

1 A. The Company incurred \$100,000 for the Appeal, which we divided in half because
2 it prevailed on only one of the two issues on appeal. To that, we added \$8,176 for
3 CCWC's costs in the Remand as those costs were incurred primarily to meet
4 Commission filing and other requirements. The Company's expert witness costs
5 were incurred primarily in response to the positions taken by Staff's and RUCO's
6 expert witnesses, so we feel recovering eighty percent (80%) of those costs is
7 appropriate ($\$105,853 \times 80\% = \$84,682.40$). *Id.* No cost for CCWC's witness
8 Ernie Gisler was included. Finally, we believe that \$120,000 for legal expenses
9 for the Remand proceeding (roughly 40% of the amount actually incurred), is
10 reasonable. The total of all this is \$258,511. This leaves the Company absorbing
11 more than a quarter million dollars of rate case expense for the Appeal and
12 Remand. This is explained in even more detail in my Supplemental Testimony.

13 **Q. THANK YOU MR. BOURASSA. COULD YOU NOW EXPLAIN STAFF'S**
14 **BASIS RECOMMENDING ONLY \$150,000 FOR RATE CASE EXPENSE**
15 **FOR THIS RATE CASE?**

16 A. According to Mr. Millsap, Staff's recommendation is based on an analysis of "rate
17 case expenses approved by the Commission for other comparable sized utilities."
18 Millsap Dt. at 32. According to Mr. Millsap, these comparable utilities include
19 "Empire District Electric Company, Peoples Natural Gas, Western Resources and
20 One OK." See Staff response to Company data request 1.27, which is attached to
21 Mr. Hanford's testimony as **Hanford Rebuttal Exhibit 1**.

22 **Q. ARE THESE ARIZONA WATER AND SEWER UTILITIES REGULATED**
23 **BY THE COMMISSION?**

24 A. No, they appear to be electric and gas companies regulated by the public utility
25 commission in Kansas. But Staff provides nothing to support the comparison—
26 like the size of the utilities, the amount of rate case expense or a comparison of the

1 process used in Kansas to that followed in Arizona. I guess all I can really say is
2 "Dorothy, we are not in Kansas".

3 **Q. DIDN'T STAFF LOOK AT ANY ARIZONA UTILITIES?**

4 A. In the same data request response citing the Kansas four, Mr. Millsap references
5 rate cases for Arizona-American, Arizona Water and Pine Water Company.
6 Again, however, Staff provides no explanation of how these rate cases compare to
7 this one or why they provide a basis for reducing the Company's requested rate
8 case expense by \$130,000. I worked on the Pine Water case Staff refers to, Docket
9 No. 03-0279. In that case, Pine Water, a small water utility with roughly 2000
10 customers, received \$200,000 of rate case expense through a settlement between
11 the parties. See Commission Decision No. 67166 (August 10, 2004). Given the
12 impacts of inflation, and the fact that CCWC is about 6.5 times the size of Pine
13 Water, rate case expense in this case should be at least \$1 million.

14 **Q. HAVE YOU CONSIDERED AWARDS OF RATE CASE EXPENSE IN ANY**
15 **OTHER CASES, MR. BOURASSA?**

16 A. Yes, in fact I can respectfully suggest that this analysis is simple. In the last rate
17 case for CCWC, the Company sought and was awarded rate case expense of
18 \$285,000. Certainly the Company is a "comparable-sized utility" relative to itself,
19 and that case was processed several years ago. With the impacts of inflation we
20 have all become familiar with due to the use of FVRB, we can surely assume that
21 the costs for the same utility processing a similar rate case would now be higher.
22 Yet, we have sought \$5000 less than CCWC was awarded in that last case.

23 When these two levels of rate case expense are compared, to cite just one
24 example, with the Arizona Water – Eastern Group case I discussed earlier with
25 respect to the treatment of settlement proceeds, in which case the Commission
26 approved rate case expense of \$250,000, it isn't hard to portray the Company's

1 request as reasonable, and Staff's recommendation as unreasonable. Simply
2 assuming an inflation rate of 2%, the 2004 costs would be higher by over 8%,
3 meaning that the comparable cost for Arizona Water – Eastern Group case would
4 be \$270,000 today. I also would note that approximately 18 months later the
5 Commission awarded \$250,000 of rate case expense for Arizona Water
6 Company's-Western Group rate case in Decision No. 68302 (November 14, 2005).
7 It is important to note, however, that in these two other rate cases the Commission
8 recognized that Arizona water utilized in-house regulatory staff greatly reducing
9 the amount of rate case expense incurred.

10 **Q. WHAT IS RUCO'S POSITION ON RATE CASE EXPENSE?**

11 A. RUCO has not modified the Company request for rate case expense of \$280,000
12 for the instant case. RUCO recommends no recovery of costs for the Appeal and
13 Remand. *See* Direct Testimony of William A. Rigsby ("Rigsby Dt.") at 6. Besides
14 asserting that the cost of the appeal and remand is excessive, RUCO believes that
15 because it was a "business decision" to appeal Decision 68176, the shareholder
16 should bear the cost. *Id.* RUCO acknowledges that the Company sought relief
17 from a Commission decision in which the Court of Appeals found that the
18 Commission acted contrary to Arizona law. Further, Remand was ordered by the
19 Court of Appeals. Apparently, RUCO believes that if a utility seeks relief from an
20 unlawful Commission decision in order to allow it to reach just and reasonable
21 rates, that utility should not be entitled to recovery.

22 **Q. HOW MUCH RATE CASE EXPENSE FOR THE INSTANT CASE HAS**
23 **THE COMPANY INCURRED THROUGH SEPTEMBER OF 2008?**

24 A. Over \$230,000. With the costs of two more rounds of testimony (including this
25 rebuttal testimony), several days of evidentiary hearings, closing briefs, and an
26 Open Meeting yet to be incurred, the Company is on track to exceed its request of

1 \$280,000. As Mr. Hanford testifies, the Company expects to absorb a significant
2 amount of rate case expense by capping its request at \$280,000 for this case, again,
3 illustrating that the request is very reasonable. *See* Hanford Rb. at 8-10.

4 **Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME**
5 **STATEMENT ADJUSTMENTS.**

6 A. The Company has revised its revenue annualization. The revision to annualized
7 revenues is reflected in rebuttal adjustment number 4. As RUCO correctly points
8 out, the Company utilized actual 2007 water use data as well as estimates in the
9 golf course annualization computations in its direct filing. *Coley Dt.* at 45.
10 Estimates were used because the actual water use information was not available at
11 the time the Company filed its rate application in September 2007. Now that a full
12 year of water use data is available for 2007, the revenue annualization includes a
13 full year of actual data.

14 **Q. IS THE COMPANY'S REVENUE ANNUALIZATION ADJUSTMENT THE**
15 **SAME AS RUCO?**

16 A. No. The Company's revenues annualization is lower by approximately \$3,600.

17 **Q. DID STAFF PROPOSE ANY CHANGE TO THE COMPANY'S REVENUE**
18 **ANNUALIZATION?**

19 A. No.

20 **Q. PLEASE CONTINUE.**

21 A. Rebuttal adjustment number 5 removes the amortization of the CAP allocation
22 from operating expense. As discussed previously, the CAP allocation costs have
23 been reclassified to account 303 – Land and Land Rights. Land and land rights are
24 not subject to amortization.

25 Rebuttal adjustment number 6 removes from expense amounts which were
26 reclassified to capital in rebuttal OCRB adjustment number 1 (column B).

1 Rebuttal adjustment number 7 reduces water testing expense to the
2 “normalized” amount recommended by Staff. Millsap Dt. 37 and Scott Dt. at 19-
3 22.

4 Rebuttal adjustment number 8 reduces purchased water expense. This
5 adjustment reflects a reduction in the CAP water M&I (capital) costs related to the
6 additional CAP allocation. Because Staff found half of the additional CAP
7 allocation used and useful, the Company proposes only half of the annual CAP
8 M&I costs. Both Staff and the Company are in agreement on the total M&I
9 charges in purchased water expense. However, the Company’s purchased water
10 adjustment is over \$10,000 less than Staff’s due to the fact that Staff does not
11 reflect higher CAP water deliveries from the revision made to the revenue
12 annualization. However, the Company’s purchased water adjustment is over
13 \$10,000 less than Staff’s due to the fact that Staff does not reflect the higher CAP
14 water deliveries from the revision made to the revenue annualization, once the
15 2007 data was available on sales to the golf courses.

16 **Q. WHY IS RUCO’S PURCHASED WATER EXPENSE LOWER THAN THE**
17 **COMPANY’S?**

18 A. Because RUCO does not include any CAP M&I charges for the additional CAP
19 allocation of 1,931 a.f. As I testified previously, RUCO’s position is that none of
20 the additional CAP allocation is used and useful and has recommended no
21 recovery of the CAP M&I charges.

22 **Q. IF THE COMPANY IS NOT RECOVERING ALL OF THE ANNUAL M&I**
23 **CHARGES FOR THE ADDITIONAL CAP ALLOCATION, WHAT**
24 **SHOULD BE THE TREATMENT OF THE UNRECOVERED COSTS?**

25 A. The Company should record the unrecovered M&I costs as a deferred regulatory
26 asset. In a subsequent rate case, the Company may seek recovery of the deferred

1 charges assuming the balance of the CAP allocation is used and useful at that time.

2 **Q. OKAY. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE**
3 **REBUTTAL ADJUSTMENTS TO THE INCOME STATEMENT.**

4 A. Rebuttal adjustment number 10 increases miscellaneous expense for allocated
5 general office ("GO") expenses following Staff's recommendation. As discussed
6 above in relation to rate base, Staff recommends an allocation factor of 4.0% based
7 on an updated 4-factor method prepared by Staff. Millsap Dt. at 29. Staff did not
8 agree with the 3.74% allocation factor the Company used in its direct filing
9 because it was based on data as of September 2005 and was not properly matched
10 to the test year. *Id.*

11 Rebuttal adjustment number 11 synchronizes interest expense with the
12 Company's rebuttal FVRB. The weighted cost of debt from rebuttal schedule D-1
13 is multiplied by the rebuttal FVRB contained on rebuttal schedule B-1 to derive
14 the interest expense for computation of the income taxes. All the parties agree to
15 interest synchronization with rate base to determine interest expense. However,
16 RUCO and Staff interest synchronize with OCRB, whereas the Company uses
17 FVRB. Rebuttal adjustment number 11 reflects the interest synchronization with
18 the Company's rebuttal FVRB.

19 **Q. WHY DOES THE COMPANY USE FVRB TO INTEREST**
20 **SYNCHRONIZE?**

21 A. Because this is the rate base upon which the Company seeks to have the revenue
22 requirement determined.

23 **Q. WHAT EFFECT, IF ANY, DOES THIS HAVE ON OPERATING**
24 **EXPENSES?**

1 A. The FVRB is higher than OCRB. This means the interest expense is higher and,
2 in turn, income taxes are lower. Thus, operating expenses and the revenue
3 requirement are lower than if OCRB is used.

4 **Q. ARE THERE ANY OTHER REBUTTAL ADJUSTMENTS?**

5 A. Yes, rebuttal adjustment 13 reflects the proposed increase in income taxes on
6 adjusted test year expenses.

7 **Q. ARE THERE ANY OTHER ADJUSTMENTS FROM RUCO AND/OR**
8 **STAFF THAT THE COMPANY DOES NOT ACCEPT THAT YOU**
9 **WOULD LIKE TO ADDRESS?**

10 A. Yes. The Company disagrees with Staff's proposed operating expense adjustments
11 to chemicals, repairs and maintenance, and insurance because these adjustments
12 are based on averaging the test year with historical years. RUCO also proposes to
13 adjust miscellaneous expense by averaging the test year with historical years. Staff
14 claims averaging mitigates any extenuating circumstances which may have caused
15 fluctuations in chemicals and repairs and maintenance expense. Millsap Dt. at 33
16 and 34. RUCO makes a similar argument. Coley Dt. at 41.

17 **Q. HAVE STAFF OR RUCO IDENTIFIED ANY EXTENUATING**
18 **CIRCUMSTANCES TO JUSTIFY USE OF AN AVERAGE?**

19 A. No.

20 **Q. WHY DO YOU DISAGREE WITH THE USE OF AVERAGES?**

21 A. I generally disagree with use of averages as a method of normalizing expenses.
22 Surrounding facts and circumstances must justify their use. I have found that only
23 in limited cases, based on the evidence, can they be justified. Averaging does not
24 reflect a known and measurable change to the test year. It is, at best, a guess.
25 Averaging as a means of normalizing an expense is also subjective with respect to
26

1 which expenses are averaged and which years (historical or future) are included in
2 the average. Averaging with historical years is also backward looking.

3 To illustrate the subjective nature of normalizing by averaging, consider
4 that in the prior case, Staff proposed averaging to normalize outside services,
5 office supplies, transportation expense, and miscellaneous expense. In all three
6 cases, Staff used the test year and two historical years in the average. In the instant
7 case, Staff is proposing to average chemicals, repairs and maintenance, and
8 insurance expense. In addition, Staff uses the test year and two historical years
9 (2004 and 2005) to normalize chemicals and repairs and maintenance expense,
10 while using the test year, 3 historical years (2003, 2004, and 2005), and 1 future
11 year (2007) to normalize insurance expense.

12 Consider also that RUCO adjusts repairs and maintenance based upon a
13 known and measurable change (capitalized expenses) while Staff proposes to
14 normalize repairs and maintenance by averaging. Similarly, RUCO is proposing to
15 normalize miscellaneous expense by averaging, while Staff adjusts miscellaneous
16 expense based on a known and measurable change (revised GO allocation factor).

17 In other words, there is too much subjectivity in this mish-mash of
18 adjustments and it is not good ratemaking. If we are going to use the historical test
19 year, with all of its flaws, we shouldn't just discard based on the presumption
20 something is wrong with the test year in the absence of evidence that actually
21 shows "extenuating" circumstances. This is especially true in this case given that
22 we are living in a time when the costs of nearly everything have and are increasing.

23 **V. RATE DESIGN.**

24 **Q. WHAT ARE THE COMPANY'S REBUTTAL PROPOSED RATES?**

25 **A.** The monthly charges at proposed rates are listed below.
26

1	<u>All Classes</u>		
2	Meter	Monthly	Gallons included
3	Size	Minimum	in Monthly Minimum
4	3/4	\$ 18.30	0
5	1	\$ 30.50	0
6	1 1/2	\$ 61.00	0
7	2	\$ 97.60	0
8	3	\$ 195.20	0
9	4	\$ 305.00	0
10	6	\$ 610.00	0
11	8	\$ 1,128.50	0
12	10	\$ 1,586.00	0
13	12	\$ 2,803.00	0
14	Fire Hydrants used for		
15	Irrigation	\$ 196.50	0
16	Fire Hydrants basic		
17	Service	\$ 0.00	0
18	Fire Sprinkler	\$ 10.00	0

19 The commodity charges and tiers by meter size are:

20 Residential, Commercial and Industrial Class

21	Meter		Charge
22	Size	Tier (gallons)	per 1,000 gallons
23	3/4	1 to 3,000	\$ 2.281
24		3,001 to 9,000	\$ 3.392
25		Over 10,000	\$ 4.078

1	1	1 to 24,000	\$ 3.392
2		Over 24,000	\$ 4.078
3	1 1/2	1 to 60,000	\$ 3.392
4		Over 60,000	\$ 4.078
5	2	1 to 100,000	\$ 3.392
6		Over 100,000	\$ 4.078
7	3	1 to 225,000	\$ 3.392
8		Over 225,000	\$ 4.078
9	4	1 to 350,000	\$ 3.392
10		Over 350,000	\$ 4.078
11	6	1 to 725,000	\$ 3.392
12		Over 725,000	\$ 4.078
13	8	1 to 1,125,000	\$ 3.392
14		Over 1,125,000	\$ 4.078
15	10	1 to 1,500,000	\$ 3.392
16		Over 1,500,000	\$ 4.078
17	12	1 to 2,250,000	\$ 3.392
18		Over 2,250,000	\$ 4.078
19			
20	<u>Irrigation Class</u>		
21	All Meter Sizes	All gallons	\$3.392
22	<u>Fire Hydrant Irrigation and Construction Class</u>		
23	All Meter Sizes	All gallons	\$3.392
24	<u>Standpipe (Fire Hydrants)</u>		
25	All Meter Sizes	All gallons	\$3.392
26	<u>Fire Sprinklers</u>		

1 All Meter Sizes All gallons \$3.392

2 Q. DO STAFF AND RUCO PROPOSE SIMILAR RATE DESIGNS?

3 A. Yes.

4 Q. WHAT IS THE IMPACT OF THE COMPANY'S PROPOSED RATES ON
5 AN AVERAGE $\frac{3}{4}$ INCH METERED RESIDENTIAL CUSTOMER?

6 A. The present monthly bill for a $\frac{3}{4}$ inch metered residential customer using an
7 average of 8,450 gallons is \$32.38. The proposed monthly bill for a $\frac{3}{4}$ inch
8 metered residential customer using an average of 8,450 gallons is \$43.63 -- an
9 increase of \$11.26 or 34.77% over the present rates.

10 Q. WHAT IS THE IMPACT OF THE COMPANY'S PROPOSED RATES ON
11 AN AVERAGE 1 INCH METERED RESIDENTIAL CUSTOMER?

12 A. The present monthly bill for a 1 inch metered residential customer using an
13 average of 10,095 gallons is \$48.14. The proposed monthly bill for a 1 inch
14 metered residential customer using an average of 10,095 gallons is \$64.74 -- an
15 increase of \$16.60 or 34.49% over the present rates.

16 Q. ARE THERE ANY CHANGES TO THE MISCELLANEOUS SERVICE
17 CHARGES?

18 A. No.

19 Q. ARE STAFF AND THE COMPANY IN AGREEMENT ON
20 MISCELLANEOUS CHARGES?

21 A. Yes.

22 Q. ARE THERE ANY CHANGES TO THE METER AND SERVICE LINE
23 INSTALLATION CHARGES?

24 A. No.

25 Q. ARE STAFF AND THE COMPANY IN AGREEMENT ON METER AND
26 SERVICE LINE INSTALLATION CHARGES?

1 A. Yes.

2 Q. MR. BOURASSA, YOU MENTIONED LIVING IN INFLATIONARY
3 TIMES WHERE EVERYTHING COSTS MORE. IS CCWC WILLING TO
4 UTILIZE A LOW INCOME TARIFF TO HELP THOSE THAT TRULY
5 CANNOT AFFORD THE INCREASED COST OF WATER UTILITY
6 SERVICE?

7 A. Yes. We have discussed the concept with both Staff and RUCO and they are
8 supportive of the Company proposing such a tariff. We were unable to complete
9 the proposed tariff before this rebuttal filing was due, but we hope to supplemental
10 the filing with a proposed tariff shortly. The tariff will provide for reduced costs
11 to those that qualify based on income, but it will require the other customers to
12 subsidize the low income ratepayers.

13 Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

14 A. Yes, although I do wish to note that my silence on any aspect of Staff and/or
15 RUCO's direct filings is not necessarily intended to signal CCWC's acceptance.

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BOURASSA REBUTTAL

EXHIBIT 1

**STAFF'S RESPONSE TO THE
FIRST SET OF DATA REQUESTS
FROM CHAPARRAL CITY WATER COMPANY
TO THE ARIZONA CORPORATION COMMISSION STAFF
Docket No. W-02113A-07-0551
October 16, 2008**

- 1.45. Provide citation to any ACC precedent or other authority supporting Staff's position that 100% of the proceeds from the Company's settlement with Fountain Hills Sanitary District be recognized in a manner that benefits ratepayers.

Response: Objection: this data request is overbroad and burdensome, requests information that is not maintained in the normal course of business and would be time-consuming and burdensome to compile. Notwithstanding the foregoing objection, Staff would provide the following response: Staff is not aware of any similar situation. Each Commission decision is based on the facts unique to that underlying docket. Each ACC decision stands on its own merits and no ACC decision creates a precedent.

Respondent: Marvin Millsap

BOURASSA REBUTTAL

EXHIBIT 2

**RUCO'S RESPONSE TO
CHAPARRAL CITY WATER COMPANY, INC.'S
FIRST SET OF DATA REQUESTS**

Docket No. W-02113A-07-0551

- 1.48 Admit that the costs of operating a utility have generally increased due to inflation since 2003.

Response

Admit, in a general sense, completely isolating inflation, there is a general upwards trend. RUCO does not agree that expenses generally increase from one year to the next. Expenses typically increase and decrease. While one element of an expense account may increase, another element of the expense account may decrease causing the total expense account to actually decrease from one year to the next.

BOURASSA REBUTTAL SCHEDULES

Chaparral City Water Company
Test Year Ended December 31, 2006
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rebuttal Schedule A-1
Page 1
Witness: Bourassa

Line
No.

1	Fair Value Rate Base	\$ 27,767,249
2		
3	Adjusted Operating Income	940,244
4		
5	Current Rate of Return	3.39%
6		
7	Required Operating Income	\$ 2,776,725
8		
9	Required Rate of Return on Fair Value Rate Base	10.00%
10		
11	Operating Income Deficiency	\$ 1,836,481
12		
13	Gross Revenue Conversion Factor	1.6286
14		
15	Increase in Gross Revenue Requirement	\$ 2,990,957
16		
17		
18	Adjusted Test Year Revenues	\$ 7,505,010
19	Increase	\$ 2,990,957
20	Proposed Revenue Requirement	\$ 10,495,967
21	% Increase over adjusted test year revenues	39.85%
22		

Customer Classification	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Residential, Commerical, Industrial				
3/4 Inch	\$ 3,524,021	\$ 4,747,487	\$ 1,223,467	34.72%
1 Inch	2,441,283	3,283,297	842,014	34.49%
1.5 Inch	172,583	232,176	59,594	34.53%
2 Inch	345,894	464,696	118,802	34.35%
3 Inch	24,229	32,492	8,263	34.10%
4 Inch	34,290	46,128	11,838	34.52%
Irrigation				
3/4 Inch	69,200	130,820	61,620	89.05%
1 Inch	178,745	350,299	171,554	95.98%
1.5 Inch	134,012	260,613	126,602	94.47%
2 Inch	161,987	314,013	152,026	93.85%
4 Inch	152,769	322,747	169,977	111.26%
6 Inch	322,475	687,598	365,123	113.23%
FH/Construction				
3/4 Inch	181	259	77	42.77%
1 Inch	1,357	2,328	971	71.57%
2 Inch	646	1,099	453	70.11%
3 Inch	84,704	123,818	39,114	46.18%
4 Inch	11,424	16,104	4,679	40.96%
Fire Sprinkler	5,770	5,774	3	0.06%
Reconciling Amt H-1 to C-1	8,050	923	(7,127)	
Subtotal	\$ 7,673,618	\$ 11,022,669	\$ 3,349,051	43.64%
Revenue Annualization	(250,897)	(608,991)	(358,094)	142.73%
Miscellaneous Revenues	82,289	82,289	-	0.00%
Total of Water Revenues (a)	<u>\$ 7,505,010</u>	<u>\$ 10,495,967</u>	<u>\$ 2,990,957</u>	<u>39.85%</u>

SUPPORTING SCHEDULES:

Rebuttal B-1
Rebuttal C-1
Rebuttal C-3
Rebuttal H-1

Chaparral City Water Company
Test Year Ended December 31, 2006
Summary of Rate Base

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	RCND Rate base	Fair Value Rate Base (50/50)
1				
2	Gross Utility Plant in Service	\$ 50,908,634	\$ 78,136,365	\$ 64,522,499
3	Less: Accumulated Depreciation	13,696,614	23,732,066	18,714,340
4				
5	Net Utility Plant in Service	\$ 37,212,020	\$ 54,404,299	\$ 45,808,159
6				
7	<u>Less:</u>			
8	Advances in Aid of			
9	Construction	6,557,243	10,225,334	8,391,288
10	Contributions in Aid of			
11	Construction - Net of amortization	6,119,129	9,435,452	7,777,291
12	Customer Meter Deposits	819,845	819,845	819,845
13	Deferred Income Taxes & Credits	925,896	925,896	925,896
14	Investment tax Credits	-	-	-
15	Well Settlement Proceeds	646,000	646,000	646,000
16				
17	<u>Plus:</u>			
18	Unamortized Debt Issuance			
19	Costs	424,010	424,010	424,010
20	Prepayments	-	-	-
21	Materials and Supplies	-	-	-
22	Deferred Regulatory Assets	-	-	-
23	Allowance for Working Capital	95,400	95,400	95,400
24				
25				
26	Total Rate Base	<u>\$ 22,663,316</u>	<u>\$ 32,871,183</u>	<u>\$ 27,767,249</u>

SUPPORTING SCHEDULES:

Rebuttal B-2
Rebuttal B-3
Rebuttal B-5

RECAP SCHEDULES:

Rebuttal A-1

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 1
Witness: Bourassa

Line No.		Direct Adjusted at End of Test Year	Adjustment Amount	Rebuttal Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 51,771,885	(863,252)	\$ 50,908,634
3				
4	Less:			
5	Accumulated			
6	Depreciation	15,877,022	(2,180,408)	13,696,614
7				
8				
9	Net Utility Plant			
10	in Service	\$ 35,894,864	-	\$ 37,212,020
11				
12	Less:			
13	Advances in Aid of			
14	Construction	6,557,243	-	6,557,243
15				
16	Contributions in Aid of			
17	Construction - Net	6,119,129	-	6,119,129
18				
19	Customer Meter Deposits	819,845	-	819,845
20	Deferred Income Taxes	925,896	-	925,896
21	Investment Tax Credits	-	-	-
22	Well Settlement Proceeds	646,000	-	646,000
23				
24	Plus:			
25	Unamortized Debt Issuance			
26	Costs	424,010	-	424,010
27	Prepayments	192,485	(192,485)	-
28	Materials and Supplies	14,521	(14,521)	-
29	Deferred Regulatory Assets	1,280,000	(1,280,000)	-
30	Working capital	-	95,400	95,400
31				
32				
33	Total	<u>\$ 22,737,766</u>		<u>\$ 22,663,316</u>

SUPPORTING SCHEDULES:
Rebuttal B-2, page 1

RECAP SCHEDULES:
Rebuttal B-1

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 2
Witness: Bourassa

Line No.	Description	Direct Adjusted at End of Test Year	ADJUSTMENT				Rebuttal at end of Test Year
			1	2	3	4	
			Plant-in-Service Adjustment	Accumulated Depreciation Adjustment	GO Plant Adjustment	GO Plant Accum Depr Adjustment	
1	Gross Utility	\$ 51,771,885	\$ (724,909)		\$ (138,343)		\$ 50,908,634
2	Plant in Service						
3							
4	Less:						
5	Accumulated						
6	Depreciation	15,877,022		(2,112,197)		(68,211)	13,696,614
7							
8							
9	Net Utility Plant						
10	in Service	\$ 35,894,864					\$ 37,212,020
11							
12	Less:						
13	Advances in Aid of						
14	Construction	6,557,243					6,557,243
15							
16	Contributions in Aid of						
17	Construction - Net	6,119,129					6,119,129
18							
19	Customer Meter Deposits	819,845					819,845
20	Deferred Income Taxes	925,896					925,896
21	Investment Tax Credits	-					-
22	Well Settlement Proceeds	646,000					646,000
23							
24	Plus:						
25	Unamortized Debt Issuance						
26	Costs	424,010					424,010
27	Prepayments	192,485					-
28	Materials and Supplies	14,521					-
29	Deferred Regulatory Assets	1,280,000				(1,280,000)	-
30	Working capital	-					95,400
31							
32							
33	Total	\$ 22,737,766	\$ (724,909)	\$ (2,112,197)	\$ (138,343)	\$ (68,211)	\$ 22,663,316
34							
35							
36							
37							
38							
39							
40							

SUPPORTING SCHEDULES:
Rebuttal B-2, pages 3-6

RECAP SCHEDULES:
Rebuttal B-1

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rebuttal Schedule B-2
Page 3
Witness: Bourassa

Line No.	A	B	C	D	E
1	Plant-in-Service				
2					
3	Account	Correction to match			
4	No. Description	Direct Original Cost	Direct Filing B-2 Plant Detail ¹	CAP Allocation ²	Capitalize Expenses ³
5	301 Organization Cost	-	-	-	-
6	302 Franchise Cost	-	-	-	-
7	303 Land and Land Rights	271,858	-	-	-
8	304 Structures and Improvements	1,518,648	-	1,280,000	11,590
9	305 Collecting and Impounding Res.	6,548	-	-	(596)
10	306 Lake River and Other Intakes	-	-	-	(6,548)
11	307 Wells and Springs	332,065	-	-	(106,816)
12	308 Infiltration Galleries and Tunnels	-	-	-	(65,622)
13	309 Supply Mains	-	-	-	-
14	310 Power Generation Equipment	-	-	-	-
15	311 Electric Pumping Equipment	1,483,614	23,294	-	55,253
16	320 Water Treatment Equipment	7,757,814	5,686	-	34,062
17	330 Distribution Reservoirs & Standpipe	8,170,420	-	-	(1,658,271)
18	331 Transmission and Distribution Mains	17,450,634	-	-	1,502,420
19	333 Services	7,389,930	-	-	106,408
20	334 Meters	2,722,117	3,556	-	11,193
21	335 Hydrants	1,171,633	-	-	53,353
22	336 Backflow Prevention Devices	-	-	-	-
23	339 Other Plant and Misc Equipment	1,610,687	-	-	106,542
24	340 Office Furniture and Fixtures	270,359	-	-	1,814
25	341 Transportation Equipment	535,315	-	-	535,315
26	342 Stores Equipment	-	-	-	-
27	343 Tools and Work Equipment	149,365	-	-	149,365
28	344 Laboratory Equipment	-	-	-	-
29	345 Power Operated Equipment	-	-	-	-
30	346 Communications Equipment	39,105	-	-	39,105
31	347 Miscellaneous Equipment	106,542	-	-	0
32	348 Other Tangible Plant	34,062	-	-	(34,062)
33	Rounding	(3)	-	-	(3)
34	TOTALS	\$ 51,020,714	\$ 32,536	\$ 1,280,000	\$ 80,891
35					\$ (0)
36	Plant-in-Service per Direct Filing				\$ 51,020,714
37					
38	Increase (decrease) in Plant-in-Service				\$ (724,909)
39					
40	Adjustment to Plant-in-Service				\$ (724,909)
41					
42					

¹ Column A - See Staff Schedule MEM-6 and Direct Testimony of Marvin E. Millsap at 6 and 18.

³ Column C - See B-2, page 3.1

⁵ Column D - See B-2, page 3.3

² Column B- Redclass CAP allocation from deferred regulatory assets. See also B-2, page 5

⁴ Column D - See B-2, page 3.2

Chaparral City Water Company
 Test Year Ended December 31, 2006
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1
 Details of Column C - Capitalized Expenses

Exhibit
 Rebuttal Schedule B-2
 Page 3.1
 Witness: Bourassa

Line
No.

			Expense		Plant	
	Description	Ref.	Account	Original Cost	Account	
1						
2						
3	New irrigation installation	Staff MEM-10	Outside Services	\$ 2,500	304	Struct. & Improv.
4	Installation 30' x 6' fencing w/pa	Staff MEM-10	Outside Services	4,375	304	Struct. & Improv.
5	Professional Survey for new fen	Staff MEM-10	Outside Services	4,715	304	Struct. & Improv.
6	Subtotal			\$ 11,590		
7						
8						
9	Recondition motor		Outside Services	\$ 7,448	311	Elec. Pumping Equip
10	Removal & repair of pump		Outside Services	5,513	311	Elec. Pumping Equip
11	Removal & repair of motor and pump		Outside Services	13,123	311	Elec. Pumping Equip
12	Subtotal			\$ 26,084		
13						
14	Repairs and maintenance	RUCO TJC-9	Repairs and maintenance	\$ 43,217	339	Other Plant & Misc Equip.
15						
16	Total			\$ 80,891		

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45 SUPPORTING SCHEDULES

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Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1
Details of Column D - Plant Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.2
Witness: Bourassa

Line No.	Description	Acquisition Date	Direct Filing Original Cost	Plant Account per Direct	Rebuttal Adjustment Original Cost
1					
2					
3					
4	Wells 1971 (Well #8)	1/31/1971	\$ 49,329	307	\$ (49,329)
5	Wells 1972 (Well #9)	1/31/1972	54,139	307	(54,139)
6	ENGINE WELL	12/31/1986	3,348	307	(3,348)
7	Subtotal		\$ 106,816		\$ (106,816)
8					
9	Install exhaust fans Well #9	8/31/1999	\$ 596	304	\$ (596)
10					
11	Plant 1986 WTP #1	12/31/1986	1,320,562	320	(1,320,562)
12	Water treatment equip 1987 WTP #1	12/31/1987	288,612	320	(288,612)
13	Water treatment equip 1989 WTP #1	1/31/1989	397,339	320	(397,339)
14	Water treatment equipment 89 WTP #1	12/31/1989	4,409	320	(4,409)
15	Subtotal		\$ 2,010,923		\$ (2,010,923)
16					
17	Total		\$ 2,118,336		\$ (2,118,336)

SUPPORTING SCHEDULES

Staff Schedule MEM-8, page 3 of 3

Line No.	(FROM) Plant Account Per	Description	1 Direct Original Cost	2 Rebuttal Original Cost Adjustment	(TO) Plant Account Per Rebuttal	3 Direct Original Cost	4 Rebuttal Original Cost Adjustment	5 = 2 + 4 Net Rebuttal Original Cost Adjustment
6	307	Wells & Springs	\$ 65,622	\$ (65,622)	307	\$ -	\$ (65,622)	
7	305	Collection and Imp Res	\$ 6,548	(6,548)	305	-	(6,548)	
8	311	Elec. Pumping Equipment	10,368	(10,368)	311	65,622	55,253	
9	320	Water Treatment Equipment	-	-	320	34,062	34,062	
10	330	Distrib Reservoirs	1,664,819	(1,664,819)	330	6,548	(1,658,271)	
11	331	Trans and Dist mains	-	-	331	1,502,420	1,502,420	
12	333	Services	44,798	(44,798)	333	151,207	106,408	
13	334	Meters	12,481	(12,481)	334	23,674	11,193	
14	335	Hydrants	-	-	335	53,353	53,353	
15	339	Other Misc Plant and Equip	-	-	339	106,542	106,542	
16	340	Office Furn & Equip	-	-	340	1,814	1,814	
17	347	Miscellaneous	106,542	(106,542)	347	-	(106,542)	
18	348	Other tangible Plant	34,062	(34,062)	348	-	(34,062)	
19								
20			\$ 1,945,240	\$ (1,945,240)		\$ 1,945,240	\$ -	

SUPPORTING SCHEDULES
 Rebuttal B-2, page 3.3.1

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1
Details of Column E - Reclassification of Plant

Exhibit
Rebuttal Schedule B-2
Page 3.3.1
Witness: Bourassa

Line No.			Acquisition Date	Original Cost	(FROM) Plant Account per Direct	(TO) Plant Account per Rebuttal
1						
2						
3	<u>Description</u>		<u>Date</u>	<u>Cost</u>	<u>per Direct</u>	<u>per Rebuttal</u>
4	Wells#11 Labor/reinstall	250 HP sumb	9/30/1996	\$ 65,622	307	311
5						
6	Water treatment study		2004	\$ 34,062	348	320
7						
8	16" Trans Main		9/30/2005	\$ 1,381,264	330	331
9	Design Eng / Fountain Hills	Blvd Transmission T	8/14/2006	121,156	330	331
10	Subtotal			\$ 1,502,420		
11						
12	Install wtr svc @ 15038 escab.		10/31/1996	\$ 1,203	330	333
13	Install wtr svc @ 16637 almont		10/31/1996	1,309	330	333
14	Install wtr svc @ tw n ctr	car wash	10/31/1996	1,309	330	333
15	Install wtr svc @ 16353 e.arow		10/31/1996	1,113	330	333
16	Install wtr svc @ 13804 sguaro		10/31/1996	1,264	330	333
17	Install wtr svc @ 13804 sguaro		10/31/1996	1,301	330	333
18	Install wtr svc @16850 Nicklus		10/31/1996	1,353	330	333
19	Install wtr svc @15361 G/eagle		10/31/1996	1,203	330	333
20	rplace wtr svc @14213 anguilar		10/31/1996	1,513	330	333
21	rplace wtr svc @14226 anguilar		10/31/1996	1,407	330	333
22	Install wtr svc @Jiffy lub ctr		10/31/1996	1,407	330	333
23	Install wtr svc @16418 desert		11/30/1996	1,097	330	333
24	rplace wtr svc @13221 wendover		11/30/1996	1,203	330	333
25	rplace wtr svc @11015 inca		11/30/1996	1,293	330	333
26	rplace wtr svc @11449 inca		11/30/1996	1,203	330	333
27	rplace wtr svc @LA Fuenta apts		11/30/1996	1,896	330	333
28	rplace wtr svc @12271 Chama		11/30/1996	1,203	330	333
29	rplace wtr svc @16439 Nicklaus		11/30/1996	1,353	330	333
30	rplace wtr svc @17426 Calico		11/30/1996	1,097	330	333
31	rplace wtr svc @11214 Prtridge		11/30/1996	1,118	330	333
32	rplace wtr svc @14218 Saguaro		11/30/1996	1,248	330	333
33	rplace wtr svc @16932 Partin		11/30/1996	1,052	330	333
34	rplace wtr svc @ Plat 202		11/30/1996	17,773	330	333
35	rplace wtr svc @16629 Almont		11/30/1996	1,422	330	333
36	rplace wtr svc @ Almont dr (2)		11/30/1996	1,354	330	333
37	rplace wtr svc @ El Pueblo (2)		11/30/1996	1,354	330	333
38	rplace wtr svc@17303 el pueblo		11/30/1996	1,203	330	333
39	rplace wtr svc@17252 el pueblo		11/30/1996	946	330	333
40	water service@ 12031 Lamont		11/30/1996	1,203	330	333
41	rpl wtr svc@ 16069 Glenbrook		11/30/1996	1,602	330	333
42	rpl wtr svc@17005 Enterprise		11/30/1996	1,203	330	333
43	Lab.Mat to install copper serv	line	12/31/1996	39,965	330	333
44	Lab.Mat to install copper serv	lines & upgrades	12/31/1996	42,556	330	333
45	Subtotal			\$ 138,726		
46						
47	Service Line 1994	Install Wtr Svc, Gler	10/26/1994	\$ 12,481	334	333
48						
49	Meter installation		1/31/1973	\$ 23,674	330	334
50						
51	Fire Hydrant & DIP		3/31/2005	\$ 10,368	311	335
52						
53	1996 Mat/Lab instl new hydrant		12/31/1996	\$ 42,984	333	335
54						
55	Chairs (5) & Conference Room	Table	12/31/1993	\$ 1,814	333	340
56						
57	Collection & Impounding Reservoirs		2003	\$ 6,548	305	330
58						
59	Reclass Adjustment to match Staff PIS			\$ 106,542	347	339
60						
61	<u>SUPPORTING SCHEDULES</u>					
62	Staff Schedule MEM-8, page 3 of 3					

Line No.	Account	Direct Original Cost Accum. Depr.	Capitalize Expenses ¹	Retire Wells 8 & 9 & Wtr Treatment Staff Adj. #7 ²	Reclass & Wtr Treatment ³	Rebuttal Original Cost Accum. Depr.
1	<u>Accumulated Depreciation</u>					
2						
3						
4						
5	<u>No.</u>					
6	301 Organization Cost	-				-
7	302 Franchise Cost	-				-
8	303 Land and Land Rights	-				-
9	304 Structures and Improvements	357,961	193	(596)		357,558
10	305 Collecting and Impounding Res.	573			(573)	0
11	306 Lake River and Other Intakes	-				-
12	307 Wells and Springs	183,252		(106,816)	(17,906)	58,529
13	308 Infiltration Galleries and Tunnels	-				-
14	309 Supply Mains	-				-
15	310 Power Generation Equipment	-				-
16	311 Electric Pumping Equipment	879,456	1,630		23,873	904,959
17	320 Water Treatment Equipment	2,304,464			2,482	296,023
18	330 Distribution Reservoirs & Standpipe	1,996,014		(2,010,923)	(108,395)	1,887,619
19	331 Transmission and Distribution Mains	7,154,728			45,239	7,199,968
20	333 Services	1,060,764			29,524	1,090,288
21	334 Meters	990,763			18,864	1,009,627
22	335 Hydrants	235,514			12,084	247,598
23	336 Backflow Prevention Devices	-				-
24	339 Other Plant and Miscellaneous Equipment	135,962	1,441		28,874	166,278
25	340 Office Furniture and Fixtures	45,958			707	46,665
26	341 Transportation Equipment	60,636				60,636
27	342 Stores Equipment	-				-
28	343 Tools and Work Equipment	34,980				34,980
29	344 Laboratory Equipment	25				25
30	345 Power Operated Equipment	-				-
31	346 Communications Equipment	883				883
32	347 Miscellaneous Equipment	31,899			(31,899)	0
33	348 Other Tangible Plant	-				-
34	TOTALS	\$ 15,473,834	\$ 3,265	\$ (2,118,336)	\$ 2,875	\$ 13,361,637
35						
36						
37	Accumulated Depreciation per Direct Filing					\$ 15,473,834
38						
39	Increase (Decrease) to Accumulated Depreciation					\$ (2,112,197)
40						
41	Adjustment to Accumulated Depreciation					\$ (2,112,197)
42						

³ Column C - See B-2, page 4.3

¹ Column A - See B-2, page 4.1

³ Column B - See B-2, page 4.2

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2
Details of Column A - Capitalized Expenses Accum. Depr.

Exhibit
Rebuttal Schedule B-2
Page 4.1
Witness: Bourassa

Line No.		Plant Account	Original Cost	Depr. Rate	Depreciation Half-year Convention
3	<u>Description</u>				
4	New irrigation installation	304	\$ 2,500	3.33%	\$ 42
5	Installation 30' x 6' fencing w/pane	304	4,375	3.33%	73
6	Professional Survey for new fence	304	4,715	3.33%	79
7	Subtotal		\$ 11,590		\$ 193
9	Recondition motor	311	\$ 7,448	12.50%	\$ 466
10	Removal & repair of pump	311	5,513	12.50%	345
11	Removal & repair of motor and pump	311	13,123	12.50%	820
12	Subtotal		\$ 26,084		\$ 1,630
14	Repairs and Maintenance	339	\$ 43,217	6.67%	\$ 1,441
16	Total		<u>\$ 80,891</u>		<u>\$ 3,265</u>

SUPPORTING SCHEDULES

Rebuttal B-2, page 3.1

Staff Schedule MEM-8, page 3 of 3

Chaparral City Water Company
 Test Year Ended December 31, 2006
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2
 Details of Column B - Retirements Adjustment to Accum. Depr.

Exhibit
 Rebuttal Schedule B-2
 Page 4.2
 Witness: Bourassa

Line
No.

			<u>Plant</u>	<u>Retirement</u>	<u>Rebuttal</u>
	<u>Description</u>		<u>Account</u>	<u>Original Cost</u>	<u>Depreciation</u>
					<u>Adjustment</u>
1					
2					
3					
4	Wells 1971 (Well #8)		307	\$ 49,329	\$ (49,329)
5	Wells 1972 (Well #9)		307	54,139	(54,139)
6	ENGINE WELL		307	3,348	(3,348)
7	Subtotal			\$ 106,816	\$ (106,816)
8					
9	Install exhaust fans	Well #9	307	\$ 596	\$ (596)
10					
11	Plant 1986	WTP #1	320	\$ 1,320,562	\$ (1,320,562)
12	Water treatment equip 1987	WTP #1	320	288,612	(288,612)
13	Water treatment equip 1989	WTP #1	320	397,339	(397,339)
14	Water treatment equipment 89	WTP #1	320	4,409	(4,409)
15	Subtotal			\$ 2,010,923	\$ (2,010,923)
16					
17	Total			<u>\$ 2,118,336</u>	<u>\$ (2,118,336)</u>
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
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33					
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40					
41					
42					
43					
44					
45	<u>SUPPORTING SCHEDULES</u>				
46	Rebuttal B-2, page 3.2				
47	Staff Schedule MEM-8, page 3 of 3				
48					
49					
50					

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2
Details of Column E - Summary of Plant Reclassification

Line No.	(FROM) Plant Account Per	Description	1 Direct Accum. Depr.	2 Rebuttal Accum. Depr.	(TO) Plant Account Per	3 Direct Accum. Depr.	4 Rebuttal Accum. Depr.	5 = 2 + 4 Net Adjustment Depr.
1	307	Wells & Springs	\$ 17,906	\$ (17,906)	307	\$ -	\$ -	\$ (17,906)
2	305	Collection and Imp Res	\$ 573	\$ (573)	305	-	-	(573)
3	311	Elec. Pumping Equipment	1,555	(1,555)	311	25,428	25,428	23,873
4	320	Water Treatment Equipment	-	-	320	2,482	2,482	2,482
5	330	Distrib Reservoirs	108,395	(108,395)	330	-	-	(108,395)
6	331	Trans and Dist mains	-	-	331	45,239	45,239	45,239
7	333	Services	12,360	(12,360)	333	41,885	41,885	29,524
8	334	Meters	4,810	(4,810)	334	23,674	23,674	18,864
9	335	Hydrants	-	-	335	12,084	12,084	12,084
10	339	Other Misc Plant and Equip	-	-	339	28,874	28,874	28,874
11	340	Office Furn & Equip	-	-	340	707	707	707
12	347	Miscellaneous	31,899	(31,899)	347	-	-	(31,899)
13	348	Other tangible Plant	-	-	348	-	-	-
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
						\$ 180,373	\$ 180,373	\$ 2,875
						\$ 177,498	\$ (177,498)	

SUPPORTING SCHEDULES
Rebuttal B-2, page 3.3.1

Exhibit
Rebuttal Schedule B-2
Page 4.3.1
Witness: Bourassa

Witness: Bourassa

¹ Half-year convention

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rebuttal Schedule B-2
Page 4.3.2
Witness: Bourassa

Details of Column C - Compute Depreciation for Reclassified Amounts and Old Plant Acct.

Line No.	(FROM) Direct Plant	Original Cost	Acquisition Year	1991 to 9/2005 Depreciation Rate	10-2005 to 2006 Depreciation Rate	Direct Accum. Depr. ¹
4	<u>Description</u>	<u>Account</u>				
5	Wells#11 Labor/reinstall 250 hp sub.	307	\$ 65,622	1996	2.50%	3.33% \$ 17,906
7	Water treatment study	348	\$ 34,062	2004	0.00%	0.00% \$ -
9	16" Trans Main	330	\$ 1,381,264	2005	2.50%	2.22% \$ 47,446
10	Design Eng / Fountain Hills	330	121,156	2006	2.50%	2.22% \$ 1,345
11	Subtotal		\$ 1,502,420			\$ 48,791
13	Install wtr svc @ 15038 escab.	330	\$ 1,203	1996	2.50%	2.22% \$ 312
14	Install wtr svc @ 16637 almont	330	1,309	1996	2.50%	2.22% 339
15	Install wtr svc @ twm ctr	330	1,309	1996	2.50%	2.22% 339
16	Install wtr svc @ 16353 e.arow	330	1,113	1996	2.50%	2.22% 288
17	Install wtr svc @ 13804 sguaro	330	1,264	1996	2.50%	2.22% 327
18	Install wtr svc @ 13804 sguaro	330	1,301	1996	2.50%	2.22% 337
19	Install wtr svc @16850 Nicklus	330	1,353	1996	2.50%	2.22% 350
20	Install wtr svc @15361 G/eagle	330	1,203	1996	2.50%	2.22% 312
21	rplace wtr svc @14213 angular	330	1,513	1996	2.50%	2.22% 392
22	rplace wtr svc @14226 angular	330	1,407	1996	2.50%	2.22% 364
23	Install wtr svc @Jiffy lub ctr	330	1,407	1996	2.50%	2.22% 364
24	Install wtr svc @16418 desert	330	1,097	1996	2.50%	2.22% 284
25	rplace wtr svc @13221 wendover	330	1,203	1996	2.50%	2.22% 312
26	rplace wtr svc @11015 inca	330	1,293	1996	2.50%	2.22% 335
27	rplace wtr svc @11449 inca	330	1,203	1996	2.50%	2.22% 312
28	rplace wtr svc @LA Fuente apts	330	1,896	1996	2.50%	2.22% 491
29	rplace wtr svc @12271 Chama	330	1,203	1996	2.50%	2.22% 312
30	rplace wtr svc @16439 Nicklaus	330	1,353	1996	2.50%	2.22% 350
31	rplace wtr svc @17426 Calico	330	1,097	1996	2.50%	2.22% 284
32	rplace wtr svc @11214 Prtridge	330	1,118	1996	2.50%	2.22% 290
33	rplace wtr svc @14218 Saguaro	330	1,248	1996	2.50%	2.22% 323
34	rplace wtr svc @16932 Parlin	330	1,052	1996	2.50%	2.22% 272
35	rplace wtr svc @ Plat 202	330	17,773	1996	2.50%	2.22% 4,603
36	rplace wtr svc @16629 Almont	330	1,422	1996	2.50%	2.22% 368
37	rplace wtr svc @ Almont dr (2)	330	1,354	1996	2.50%	2.22% 351
38	rplace wtr svc @ El Pueblo (2)	330	1,354	1996	2.50%	2.22% 351
39	rplace wtr svc@17303 el pueblo	330	1,203	1996	2.50%	2.22% 312
40	rplace wtr svc@17252 el pueblo	330	946	1996	2.50%	2.22% 245
41	water service@ 12031 Lamont	330	1,203	1996	2.50%	2.22% 312
42	rpl wtr svc@ 16069 Glenbrook	330	1,602	1996	2.50%	2.22% 415
43	rpl wtr svc@17005 Enterprise	330	1,203	1996	2.50%	2.22% 312
44	Lab.Mat to install copper serv	330	39,965	1996	2.50%	2.22% 10,351
45	Lab.Mat to install copper serv	330	42,556	1996	2.50%	2.22% 11,022
46	Subtotal		\$ 138,726			\$ 35,930
48	Service Line 1994	334	\$ 12,481	1994	2.50%	8.33% \$ 4,810
50	Meter installation	330	\$ 23,674	1973	FULLY DEPRECIATED	\$ 23,674
52	Fire Hydrant & DIP	311	\$ 10,368	2005	2.50%	12.50% \$ 1,555
54	1996 Mat/Lab instl new hydrant	333	\$ 42,984	1996	2.50%	3.33% \$ 11,729
56	Chairs (5) & Conference Room	333	\$ 1,814	1993	2.50%	3.33% \$ 631
58	Collection & Impounding Reservoirs	305	\$ 6,548	2003	2.50%	2.50% \$ 573
60	Reclass Adjustment to match Staff PIS					
61	Balance at 12/31/2003	347	\$ 67,303	2003	2.50%	10.00% \$ 11,357
62	A/D balance at 12/31/2003					16,832
63	2004 Additions	347	\$ 16,445	2004	2.50%	10.00% 2,570
64	2005 Additions	347	\$ -	2005	2.50%	10.00% -
65	2006 Additions	347	\$ 22,794	2006	2.50%	10.00% 1,140
66			\$ 106,542			\$ 31,899

SUPPORTING SCHEDULES

Rebuttal B-2, page 3.3

¹ Half-year convention

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Rebuttal Schedule B-2
Page 5
Witness: Bourassa

Line No.	General Office Plant Allocation - Plant-in-service	A		B		Allocation Factor	Rebuttal		Direct		Rebuttal		Rebuttal Adjustment
		Remove GO Plant	Intentionally Left Blank	Rebuttal Orig. Cost	Rebuttal Orig. Cost		Orig. Cost	Allocated	Orig. Cost	Allocated	Orig. Cost	Adjustment	
1	NARUC NARUC Description												
2	301 Organization Cost	16,452					16,452		461	528		(67)	
3	302 Franchise Cost and Other Intangible Plant	1,089,237					669,237		18,739	34,965		(16,226)	
4	303 Land and Land Rights												
5	304 Structures and Improvements												
6	305 Collecting and Impounding Res.												
7	306 Lake River and Other Intakes												
8	307 Wells and Springs												
9	308 Infiltration Galleries and Tunnels												
10	309 Supply Mains												
11	310 Power Generation Equipment												
12	311 Electric Pumping Equipment												
13	320 Water Treatment Equipment												
14	330 Distribution Reservoirs & Standpipe												
15	331 Transmission and Distribution Mains												
16	333 Services												
17	334 Meters												
18	335 Hydrants												
19	336 Backflow Prevention Devices												
20	339 Other Plant and Miscellaneous Equipment	847,382					847,382		23,727	27,201		(3,474)	
21	340 Office Furniture and Fixtures	14,268,765					14,268,765		399,525	458,027		(58,502)	
22	341 Transportation Equipment	552,719					278,718		7,804	17,742		(9,938)	
23	342 Stores Equipment												
24	343 Tools and Work Equipment	405,643					405,643		11,358	13,021		(1,663)	
25	344 Laboratory Equipment	4,061					4,061		114	130		(16)	
26	345 Power Operated Equipment	249,261					249,261		6,979	8,001		(1,022)	
27	346 Communications Equipment	165,561					165,561		4,636	5,315		(679)	
28	347 Miscellaneous Equipment												
29	348 Other Tangible Plant												
30													
31													
32													
33													
34													
35	General Office Plant Allocation - Plant-in-service per Direct Filing												
36													
37	Increase (Decrease) to Plant -in-service												
38													
39	Adjustment to Plant-in-Service												
40													
41													
42	SUPPORTING SCHEDULES												
43	Staff Schedule MEM-7												
44													

\$23,400,978 \$ (1,514,255) \$ - \$21,886,723 \$ 612,828 \$ 751,171 \$ (138,343)

\$ 751,171

\$ (138,343)

\$ (138,343)

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 4

Exhibit
Rebuttal Schedule B-2
Page 6
Witness: Bourassa

Line No.	General Office Plant Allocation - Accumulated Depreciation	A	B	Rebuttal Allocation Factor	Rebuttal Accum. Depr.	Rebuttal Allocated Depr.	Rebuttal Adjustment (98)
1		Direct Accum. Depr.	Intentionally Left Blank				
2							
3							
4	NARUC NARUC Description	GO Plant	Blank				
5	301 Organization Cost	3,046 (3,046)		2.80%	-	-	(98)
6	302 Franchise Cost and Other Intangible Plant	211,596 (153,888)		2.80%	1,616	6,792	(5,176)
7	303 Land and Land Rights	-		2.80%	-	-	-
8	304 Structures and Improvements	2,354,430		2.80%	65,924	75,577	(9,653)
9	305 Collecting and Impounding Res.	-		2.80%	-	-	-
10	306 Lake River and Other Intakes	-		2.80%	-	-	-
11	307 Wells and Springs	-		2.80%	-	-	-
12	308 Infiltration Galleries and Tunnels	-		2.80%	-	-	-
13	309 Supply Mains	-		2.80%	-	-	-
14	310 Power Generation Equipment	-		2.80%	-	-	-
15	311 Electric Pumping Equipment	-		2.80%	-	-	-
16	320 Water Treatment Equipment	-		2.80%	-	-	-
17	330 Distribution Reservoirs & Standpipe	-		2.80%	-	-	-
18	331 Transmission and Distribution Mains	-		2.80%	-	-	-
19	333 Services	-		2.80%	-	-	-
20	334 Meters	-		2.80%	-	-	-
21	335 Hydrants	-		2.80%	-	-	-
22	336 Backflow Prevention Devices	-		2.80%	-	-	-
23	339 Other Plant and Miscellaneous Equipment	162,569 (166,019)		2.80%	(97)	5,218	(5,315)
24	340 Office Furniture and Fixtures	8,664,647		2.80%	242,610	278,135	(35,525)
25	341 Transportation Equipment	552,718 (274,001)		2.80%	7,804	17,742	(9,938)
26	342 Stores Equipment	-		2.80%	-	-	-
27	343 Tools and Work Equipment	192,488		2.80%	5,390	6,179	(789)
28	344 Laboratory Equipment	4,062		2.80%	114	130	(16)
29	345 Power Operated Equipment	249,257		2.80%	6,979	8,001	(1,022)
30	346 Communications Equipment	165,561		2.80%	4,636	5,315	(679)
31	347 Miscellaneous Equipment	-		2.80%	-	-	-
32	348 Other Tangible Plant	-		2.80%	-	-	-
33		<u>\$12,560,374</u>	<u>\$ (596,954)</u>		<u>\$ 334,976</u>	<u>\$ 403,187</u>	<u>\$ (68,211)</u>
34							
35	General Office Plant Allocation - Plant-in-service per Direct Filing				\$ 403,187		
36							
37	Increase (Decrease) to Plant -in-service				\$ (68,211)		
38							
39	Adjustment to Plant-in-Service				\$ (68,211)		
40							
41							
42							
43							
44							

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rebuttal Schedule B-2
Page 7
Witness: Bourassa

Line No.		
1	<u>Remove CAP Allocation from Deferred Regulatory Assets</u>	
2		
3		
4	CAP Allocation Cost Per Direct Filing	\$ 1,280,000
5		
6		
7		
8		
9		
10		
11		
12		
13		
14	Increase (Decrease) to Deferred Regulatory Assets	\$ <u>(1,280,000)</u>
15		
16		
17		
18	Note: CAP Allocation is reclassified to Land and Land Rights. See B-2, page 3	
19	Based on Staff proposed adjustment. See Staff Schedule MEM-4 and MEM-6.	
20	See Direct Testimony of Marvin E. Missalp at 15-18.	

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 6

Exhibit
Rebuttal Schedule B-2
Page 8
Witness: Bourassa

Line No.		
1	Cash Working Capital	
2		
3		
4	Adjustment to Cash Working Capital based on RUCO Lead/Lag Study	\$ (111,606)
5		
6		
7		
8		
9		
10		
11		
12		
13		
14	Increase (Decrease) to Cash Working Capital	\$ <u>(111,606)</u>
15		
16		
17	Based on Lead/lag Study prepared by RUCO. See Direct testimony of Timothy J. Coley.	
18	See also RUCO Schedule TJC-20, pages 1 to 15.	
19		
20		

Chaparral City Water Company
Test Year Ended December 31, 2006
RCND Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-3
Page 1
Witness: Bourassa

Line No.		Direct Adjusted at End of Test Year	Adjustment	Rebuttal Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 80,783,568	(2,647,204)	\$ 78,136,365
3				
4	Less:			
5	Accumulated			
6	Depreciation	25,894,686	(2,162,620)	23,732,066
7				
8	Net Utility Plant			
9	in Service	\$ 54,888,882	-	\$ 54,404,299
10				
11	Less:			
12	Advances in Aid of			
13	Construction	10,225,334	-	10,225,334
14				
15	Contributions in Aid of			
16	Construction - Net	9,435,452	-	9,435,452
17				
18	Customer Meter Deposits	819,845	-	819,845
19	Deferred Income Taxes	925,896	-	925,896
20	Investment Tax Credits	-	-	-
21	Well Settlement Proceeds	646,000	-	646,000
22				
23	Plus:			
24	Unamortized Debt Issuance			
25	Costs	424,010	-	424,010
26	Prepayments	192,485	(192,485)	-
27	Materials and Supplies	14,521	(14,521)	-
28	Deferred Regulatory Assets	1,280,000	(1,280,000)	-
29	Working capital	-	95,400	95,400
30				
31				
32	Total	<u>\$ 34,747,372</u>		<u>\$ 32,871,183</u>

SUPPORTING SCHEDULES:

Rebuttal B-3, page 2

RECAP SCHEDULES:

Rebuttal B-1

Chaparral City Water Company
Test Year Ended December 31, 2006
RCND Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-3
Page 2
Witness: Bourassa

Line No.	Direct Adjusted at end of Test Year	1 Plant-in-Service Adjustment	2 Accumulated Depreciation Adjustment	3 GO Plant Adjustment	4 GO Plant Accum Depreciation Adjustment	5 Reclass CAP Allocation	6 Cash Working Capital	Rebuttal Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	\$ 80,783,568	\$ (2,472,003)	\$ (175,200)				\$ 78,136,365
3	Less:							
4								
5								
6	Accumulated Depreciation	25,894,686	(2,094,182)		(68,439)			23,732,066
7								
8								
9	Net Utility Plant in Service	\$ 54,888,882						\$ 54,404,299
10								
11								
12	Less:							
13	Advances in Aid of Construction	10,225,334						10,225,334
14								
15								
16	Contributions in Aid of Construction - Net	9,435,452						9,435,452
17								
18								
19	Customer Meter Deposits	819,845						819,845
20	Deferred Income Taxes	925,896						925,896
21	Investment Tax Credits	-						-
22	Well Settlement Proceeds	646,000						646,000
23								
24	Plus:							
25	Unamortized Debt Issuance Costs	424,010						424,010
26	Prepayments	192,485					(192,485)	-
27	Materials and Supplies	14,521					(14,521)	-
28	Deferred Regulatory Assets	1,280,000				(1,280,000)		-
29	Working capital	-					95,400	95,400
30								
31								
32								
33	Total	\$ 34,747,372	\$ (2,472,003)	\$ (2,094,182)	\$ (68,439)	\$ (1,280,000)	\$ (111,606)	\$ 32,871,183
34								
35								
36								
37								
38								
39								

SUPPORTING SCHEDULES:
Rebuttal B-3, pages 3-6

Chaparral City Water Company
Test Year Ended December 31, 2006
RCND Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rebuttal Schedule B-3
Page 3
Witness: Bourassa

Line No.	A		B	C	D	E
	Plant-in-Service		RCN Value			
Account	Direct RCN Cost	CAP Allocation ¹	Correction ²	Capitalize Expenses ³	Retire Wells 8 & 9 & Wtr. Treatment ⁴	Plant Reclassification ⁵
No. Description						
301 Organization Cost	-					
302 Franchise Cost	271,857	1,280,000				
303 Land and Land Rights	1,965,394		(17,805)	11,590	(798)	
304 Structures and Improvements	9,163					(9,163)
305 Collecting and Impounding Res.	-					
306 Lake River and Other Intakes	-					
307 Wells and Springs	908,287				(440,672)	(87,572)
308 Infiltration Galleries and Tunnels	-					
309 Supply Mains	-					
310 Power Generation Equipment	-					
311 Electric Pumping Equipment	3,160,902			26,084		79,641
320 Water Treatment Equipment	9,969,130				(3,262,891)	36,355
330 Distribution Reservoirs & Standpipe	12,993,526					(1,940,538)
331 Transmission and Distribution Mains	31,920,448					1,601,081
333 Services	9,304,078					146,915
334 Meters	3,981,833					16,309
335 Hydrants	2,192,853					77,763
336 Backflow Prevention Devices	-					-
339 Other Plant and Miscellaneous Equipment	1,678,949			43,217		135,072
340 Office Furniture and Fixtures	349,449					2,543
341 Transportation Equipment	663,541					
342 Stores Equipment	-					-
343 Tools and Work Equipment	195,755					195,755
344 Laboratory Equipment	-					-
345 Power Operated Equipment	-					-
346 Communications Equipment	57,138					57,138
347 Miscellaneous Equipment	135,072					(0)
348 Other Tangible Plant	34,062					(34,062)
TOTALS	\$ 79,791,439	\$ 1,280,000	\$ (17,805)	\$ 80,891	\$ (3,704,362)	\$ (110,727)
						\$ 77,319,436
RCN Plant-in-Service Per Direct Filing						\$ 79,791,439
Increase (decrease) to Plant-in-Service						\$ (2,472,003)
Adjustment to Plant-in-Service						\$ (2,472,003)

Chaparral City Water Company
 Test Year Ended December 31, 2006
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1

Details of Column B - Correction of RCN Factors for Account 304

Line No.	Description	Year	Direct Original Cost	Plant Account per Direct	Direct HW Base	Direct Year Index	Direct RCN Factor	Direct RCN Value
1								
2								
3								
4	Structures & Improvements	2004	\$ 42,575	304	434	276	1.5725	\$ 66,948
5								
6								
7								
8								
9								
10	Structures & Improvements	2004	\$ 42,575	304	434	376	1.1543	\$ 49,143
11								
12								
13								
14	RCN value Per Rebuttal		\$ 49,143					
15	RCN value Per Direct		66,948					
16								
17	Increase (Decrease) in RCN Value		\$ (17,805)					
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								

Chaparral City Water Company
 Test Year Ended December 31, 2006
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1
 Details of Column C - Capitalized Expenses

Line No.	Description	Rebuttal Original Cost	RCN Factor	Rebuttal Adjustment RCN Value	Plant Account
1					
2					
3					
4	New irrigation installation	\$ 2,500	1.00	\$ 2,500	304
5	Installation 30' x 6' fencing w/pane	4,375	1.00	4,375	304
6	Professional Survey for new fence	4,715	1.00	4,715	304
7	Subtotal	\$ 11,590		\$ 11,590	
8					
9	Recondition motor	\$ 7,448	1.00	\$ 7,448	311
10	Removal & repair of pump	5,513	1.00	5,513	311
11	Removal & repair of motor and pump	13,123	1.00	13,123	311
12	Subtotal	\$ 26,084		\$ 26,084	
13					
14	Repairs and Maintenance	\$ 43,217	1.00	\$ 43,217	339
15					
16	Total	\$ 80,891		\$ 80,891	
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					

SUPPORTING SCHEDULES
 B-2, page 3 and 3.1
 Staff Schedule MEM-10

Line No.	Description	Acquisition Date	Original Cost	Plant Account per Direct	RCN Factor	RCN VALUE	Rebuttal Adjustment RCN VALUE
1							
2							
3							
4	Wells 1971 (Well #8)	1/31/1971	\$ 49,329	307	4.3523	\$ 214,695	\$ (214,695)
5	Wells 1972 (Well #9)	1/31/1972	54,139	307	4.0745	220,589	(220,589)
6	ENGINE WELL	12/31/1986	3,348	307	1.6092	5,388	(5,388)
7	Subtotal		\$ 106,816			\$ 440,672	\$ (440,672)
8							
9	Install exhaust fans	Well #9	\$ 596	304	1.3395	\$ 798	\$ (798)
10							
11	Plant 1986	12/31/1986		320	1.6506	2,179,720	(2,179,720)
12	Water treatment equip 1987	12/31/1987	1,320,562	320	1.6145	465,965	(465,965)
13	Water treatment equip 1989	1/31/1989	288,612	320	1.5363	610,432	(610,432)
14	Water treatment equipment 89	12/31/1989	397,339	320	1.5363	6,774	(6,774)
15	Subtotal		4,409			\$ 3,262,891	\$ (3,262,891)
16			\$ 2,010,923				
17	Total		\$ 2,118,336			\$ 3,704,362	\$ (3,704,362)
18							
19							
20							
21							
22							
23							
24							
25							
26	SUPPORTING SCHEDULES						
27	Staff MEM-8, page 3 of 3						
28							
29							
30							

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2
Details of Column E - Summary of Plant Reclassification

Line No.	(FROM) Direct Plant Account	Description	Direct RCN Value	Rebuttal RCN Value Adjustment	(TO) Rebuttal Plant Account	Rebuttal RCN Value	Rebuttal RCN Value Adjustment	Net Rebuttal RCN Value Adjustment
1								
2								
3								
4								
5								
6	307	Wells & Springs	\$ 87,572	\$ (87,572)	307			\$ (87,572)
7	305	Collection and Impounding Res	\$ 9,163	\$ (9,163)	305			\$ (9,163)
8	311	Elec. Pumping Equipment	10,625	(10,625)	311	90,266	90,266	79,641
9	320	Water Treatment Equipment	-	-	320	36,355	36,355	36,355
10	330	Distrib Reservoirs	1,949,701	(1,949,701)	330	9,163	9,163	(1,940,538)
11	331	Trans and Dist mains	-	-	331	1,601,081	1,601,081	1,601,081
12	333	Services	61,749	(61,749)	333	208,664	208,664	146,915
13	334	Meters	17,806	(17,806)	334	34,115	34,115	16,309
14	335	Hydrants	-	-	335	77,763	77,763	77,763
15	339	Other Misc Plant and Equip	-	-	339	135,072	135,072	135,072
16	340	Office Furn & Equip	-	-	340	2,543	2,543	2,543
17	347	Miscellaneous	135,072	(135,072)	347	-	-	(135,072)
18	348	Other tangible Plant	34,062	(34,062)	348	-	-	(34,062)
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
			\$ 2,305,750	\$ (2,305,750)		\$ 2,195,023	\$ 2,195,023	\$ (110,727)

SUPPORTING SCHEDULES
B-2, page 3.4.1

Chaparral City Water Company
Test Year Ended December 31, 2006
RCND Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rebuttal Schedule B-3
Page 4
Witness: Bourassa

Line No.	Plant-in-Service	1 Rebuttal Original Cost	2 Rebuttal RCN Value	3 = 2/1 Ratio	4 Rebuttal Original Cost Accum Depr	5 = 4x3 Rebuttal RCN Accum. Depr.	Direct RCN Accum. Depr.	Rebuttal RCN Adjustment
1	Account							
2	No. Description							
3	301 Organization Cost	1,551,858	1,551,857	1.0000	-	-	-	-
4	302 Franchise Cost	1,529,642	1,958,380	1.2803	-	-	-	-
5	303 Land and Land Rights	-	-	-	357,558	457,776	486,810	(29,033)
6	304 Structures and Improvements	-	0	-	0	-	-	-
7	305 Collecting and Impounding Res.	-	-	-	-	-	-	-
8	306 Lake River and Other Intakes	159,627	380,043	2.3808	58,529	139,348	150,254	(10,906)
9	307 Wells and Springs	-	-	-	-	-	-	-
10	308 Infiltration Galleries and Tunnels	-	-	-	-	-	-	-
11	309 Supply Mains	-	-	-	-	-	-	-
12	310 Power Generation Equipment	-	-	-	-	-	-	-
13	311 Electric Pumping Equipment	1,588,246	3,266,627	2.0568	904,959	1,861,276	1,750,363	110,913
14	312 Water Treatment Equipment	5,786,639	6,742,593	1.1652	296,023	344,926	2,695,725	(2,350,799)
15	313 Distribution Reservoirs & Standpipe	6,512,148	11,052,988	1.6973	1,887,619	3,203,832	2,276,817	927,015
16	314 Transmission and Distribution Mains	18,953,054	33,521,530	1.7687	7,199,968	12,734,303	12,993,907	(259,604)
17	315 Services	7,496,338	9,450,993	1.2607	1,090,288	1,374,578	1,547,309	(172,731)
18	316 Meters	2,736,866	3,998,143	1.4608	1,009,627	1,474,911	1,507,882	(32,971)
19	317 Hydrants	1,224,985	2,270,616	1.8536	247,598	458,944	460,745	(1,801)
20	318 Backflow Prevention Devices	-	-	-	-	-	-	-
21	319 Other Plant and Miscellaneous Equipment	1,760,446	1,857,238	1.0550	166,278	175,420	277,127	(101,707)
22	320 Office Furniture and Fixtures	272,173	351,993	1.2933	46,665	60,350	86,215	(25,865)
23	321 Transportation Equipment	535,315	663,541	1.2395	60,636	75,161	173,753	(98,592)
24	322 Stores Equipment	-	-	-	-	-	-	-
25	323 Tools and Work Equipment	149,365	195,755	1.3106	34,980	45,845	57,187	(11,343)
26	324 Laboratory Equipment	-	-	-	25	-	-	-
27	325 Power Operated Equipment	-	-	-	-	-	-	-
28	326 Communications Equipment	39,105	57,138	1.4611	883	1,291	37,410	(36,119)
29	327 Miscellaneous Equipment	0	(0)	-	0	-	-	-
30	328 Other Tangible Plant	-	0	-	-	-	639	(639)
31	TOTALS	\$ 50,295,808	\$ 77,319,436	-	\$ 13,361,637	\$ 22,407,961	\$ 24,502,143	\$ (2,094,182)
32								
33								
34								
35	RCN Accumulated Depreciation Per Direct Filing					\$ 24,502,143		
36								
37	Increase (decrease) to Accumulated Depreciation					\$ (2,094,182)		
38								
39	Adjustment to Accumulated Depreciation					\$ (2,094,182)		
40								
41								
42	SUPPORTING SCHEDULES							
43	B-2, page 3							
44	B-3, page 3							

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1
Details of Column E - Reclassification of Plant

Exhibit
Rebuttal Schedule B-3
Page 3.4.1
Witness: Bourassa

Line No.		Acquisition Date	Direct Original Cost	(FROM) Direct Plant Account	RCN Factor	Direct RCN Value	(TO) Rebuttal Plant Account	Rebuttal RCN Factor	Rebuttal RCN Value
4	<u>Description</u>								
5	Wells#11 Labor/reinstall 250 hp s	9/30/1996	\$ 65,622	307	1.3345	\$ 87,572	311	1.3756	\$ 90,266
7	Water treatment study	2004	\$ 34,062	348	1.0000	\$ 34,062	320	1.0673	\$ 36,355
9	16" Trans Main	9/30/2005	\$1,381,264	330	1.1095	\$1,532,512	331	1.0714	\$ 1,479,926
10	Design Eng / Fountain Hills	8/14/2006	121,156	330	1.0000	121,156	331	1.0000	121,156
11	Subtotal		\$1,502,420			\$1,653,668			\$ 1,601,081
13	Install wtr svc @ 15038 escab.	10/31/1996	\$ 1,203	330	1.4940	\$ 1,797	333	1.3764	\$ 1,656
14	Install wtr svc @ 16637 almont	10/31/1996	1,309	330	1.4940	1,956	333	1.3764	1,802
15	Install wtr svc @ twm ctr	10/31/1996	1,309	330	1.4940	1,956	333	1.3764	1,802
16	Install wtr svc @ 16353 e.arow	10/31/1996	1,113	330	1.4940	1,663	333	1.3764	1,532
17	Install wtr svc @ 13804 sguaro	10/31/1996	1,264	330	1.4940	1,888	333	1.3764	1,740
18	Install wtr svc @ 13804 sguaro	10/31/1996	1,301	330	1.4940	1,944	333	1.3764	1,791
19	Install wtr svc @16850 Nicklus	10/31/1996	1,353	330	1.4940	2,021	333	1.3764	1,862
20	Install wtr svc @15361 G/eagle	10/31/1996	1,203	330	1.4940	1,797	333	1.3764	1,656
21	rplace wtr svc @14213 angular	10/31/1996	1,513	330	1.4940	2,260	333	1.3764	2,083
22	rplace wtr svc @14226 angular	10/31/1996	1,407	330	1.4940	2,102	333	1.3764	1,937
23	Install wtr svc @Jiffy lub ctr	10/31/1996	1,407	330	1.4940	2,102	333	1.3764	1,937
24	Install wtr svc @16418 desert	11/30/1996	1,097	330	1.4940	1,639	333	1.3764	1,510
25	rplace wtr svc @13221 wendover	11/30/1996	1,203	330	1.4940	1,797	333	1.3764	1,656
26	rplace wtr svc @11015 inca	11/30/1996	1,293	330	1.4940	1,932	333	1.3764	1,780
27	rplace wtr svc @11449 inca	11/30/1996	1,203	330	1.4940	1,797	333	1.3764	1,656
28	rplace wtr svc @LA Fuente apts	11/30/1996	1,896	330	1.4940	2,833	333	1.3764	2,610
29	rplace wtr svc @12271 Chama	11/30/1996	1,203	330	1.4940	1,797	333	1.3764	1,656
30	rplace wtr svc @16439 Nicklaus	11/30/1996	1,353	330	1.4940	2,021	333	1.3764	1,862
31	rplace wtr svc @17426 Calico	11/30/1996	1,097	330	1.4940	1,639	333	1.3764	1,510
32	rplace wtr svc @11214 Prtridge	11/30/1996	1,118	330	1.4940	1,670	333	1.3764	1,539
33	rplace wtr svc @14218 Saguaro	11/30/1996	1,248	330	1.4940	1,865	333	1.3764	1,718
34	rplace wtr svc @16932 Parlin	11/30/1996	1,052	330	1.4940	1,572	333	1.3764	1,448
35	rplace wtr svc @ Plat 202	11/30/1996	17,773	330	1.4940	26,553	333	1.3764	24,463
36	rplace wtr svc @16629 Almont	11/30/1996	1,422	330	1.4940	2,124	333	1.3764	1,957
37	rplace wtr svc @ El Almont dr (2)	11/30/1996	1,354	330	1.4940	2,023	333	1.3764	1,864
38	rplace wtr svc @ El Pueblo (2)	11/30/1996	1,354	330	1.4940	2,023	333	1.3764	1,864
39	rplace wtr svc@17303 el pueblo	11/30/1996	1,203	330	1.4940	1,797	333	1.3764	1,656
40	rplace wtr svc@17252 el pueblo	11/30/1996	946	330	1.4940	1,413	333	1.3764	1,302
41	water service@ 12031 Lamont	11/30/1996	1,203	330	1.4940	1,797	333	1.3764	1,656
42	rpl wtr svc@ 16069 Glenbrook	11/30/1996	1,602	330	1.4940	2,393	333	1.3764	2,205
43	rpl wtr svc@17005 Enterprise	11/30/1996	1,203	330	1.4940	1,797	333	1.3764	1,656
44	Lab.Mat to install copper serv	12/31/1996	39,965	330	1.4940	59,707	333	1.3764	55,008
45	Lab.Mat to install copper serv	12/31/1996	42,556	330	1.4940	63,579	333	1.3764	58,575
46	Subtotal		\$ 138,726			\$ 207,256			\$ 190,946
48	Service Line 1994	10/26/1994	\$ 12,481	334	1.4267	\$ 17,806	333	1.4196	\$ 17,718
50	Meter installation	1/31/1973	\$ 23,674	330	3.7500	\$ 88,776	334	1.4411	\$ 34,115
52	Fire Hydrant & DIP	3/31/2005	\$ 10,368	311	1.0248	\$ 10,625	335	1.0816	\$ 11,214
54	1996 Mat/Lab instl new hydrant	12/31/1996	\$ 42,984	333	1.3764	\$ 59,164	335	1.5482	\$ 66,549
56	Chairs (5) & Conference Room	12/31/1993	\$ 1,814	333	1.4252	\$ 2,585	340	1.4021	\$ 2,543
58	Collection & Impounding Reservc	2003	\$ 6,548	305	1.3993	\$ 9,163	330	1.3993	\$ 9,163
60	Reclass Adjustment to match Staff PIS								
61	Adds Through 1988		\$ 7,075	347	1.7041	12,057	339	1.7041	\$ 12,057
62	1990 Additions		33,108	347	1.5425	51,068	339	1.5425	51,068
63	1991 Additions		1,508	347	1.4802	2,232	339	1.4802	2,232
64	1993 Additions		453	347	1.3952	632	339	1.3952	632
65	1994 Additions		210	347	1.3603	286	339	1.3603	286
66	1996 Additions		359	347	1.2849	461	339	1.2849	461
67	2001 Additions		24,590	347	1.1383	27,992	339	1.1383	27,992
68	2004 Additions		16,445	347	1.0672	17,551	339	1.0672	17,551
69	2006 Additions		22,794	347	1.0000	22,794	339	1.0000	22,794
70			\$ 106,542			\$ 135,072			\$ 135,072

SUPPORTING SCHEDULES

B-2, page 3.3.1

Exhibit
Rebuttal Schedule B-3
Page 6
Witness: Bourassa

General Office Plant Allocation - Accumulated Depreciation																		
	1		2		3=2/1		4		5=3x4		6		7=5x6		Direct		Rebuttal	
	Original	Cost	Rebuttal	Value	RCN	Ratio	Original	Accum Depr	Rebuttal	Accum. Depr.	RCN	Factor	Allocated	Accum. Depr.	Allocated	RCN	Accum. Depr.	RCN
1																		
2																		
3																		
4																		
5	NARUC NARUC Description																	
6	301	Organization Cost	16,452	16,452	1.0000	1.0000	-	57,708	-	57,708	2.80%	2.80%	-	98				(98)
7	302	Franchise Cost and Other Intan. Plant	669,237	669,237	1.0000	1.0000	-	57,708	-	57,708	2.80%	2.80%	1,616	6,792				(5,176)
8	303	Land and Land Rights	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-				-
9	304	Structures and Improvements	4,982,559	9,379,730	1.8825	1.8825	2,354,430	4,432,244	4,432,244	124,103	2.80%	2.80%	124,103	122,164			1,939	-
10	305	Collecting and Impounding Res.	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
11	306	Lake River and Other Intakes	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
12	307	Wells and Springs	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
13	308	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
14	309	Supply Mains	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
15	310	Power Generation Equipment	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
16	311	Electric Pumping Equipment	(916)	(1,860)	2.0302	2.0302	-	-	-	-	2.80%	2.80%	-	-			-	-
17	320	Water Treatment Equipment	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
18	330	Distribution Reservoirs & Standpipe	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
19	331	Transmission and Distribution Mains	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
20	333	Services	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
21	334	Meters	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
22	335	Hydrants	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
23	336	Backflow Prevention Devices	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
24	339	Other Plant and Misc Equipment	847,382	40,256	0.0475	0.0475	(3,450)	(164)	(164)	(5)	2.80%	2.80%	(5)	6,500			(6,505)	-
25	340	Office Furniture and Fixtures	14,268,765	17,188,237	1.2046	1.2046	8,664,647	10,437,484	10,437,484	292,250	2.80%	2.80%	292,250	335,043			(42,793)	-
26	341	Transportation Equipment	278,718	310,294	1.1133	1.1133	278,717	310,293	310,293	8,688	2.80%	2.80%	8,688	19,471			(10,793)	-
27	342	Stores Equipment	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
28	343	Tools and Work Equipment	405,643	663,298	1.6352	1.6352	192,488	314,752	314,752	8,813	2.80%	2.80%	8,813	10,104			(1,291)	-
29	344	Laboratory Equipment	4,061	15,358	3.7818	3.7818	4,062	15,362	15,362	430	2.80%	2.80%	430	493			(63)	-
30	345	Power Operated Equipment	249,261	634,172	2.5442	2.5442	249,257	634,162	634,162	17,757	2.80%	2.80%	17,757	20,357			(2,600)	-
31	346	Communications Equipment	165,561	260,818	1.5754	1.5754	165,561	260,818	260,818	7,303	2.80%	2.80%	7,303	8,372			(1,069)	-
32	347	Miscellaneous Equipment	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
33	348	Other Tangible Plant	-	-	-	-	-	-	-	-	2.80%	2.80%	-	-			-	-
34			\$ 21,886,723	\$ 29,175,992			\$ 11,963,420	\$ 16,462,658			\$		\$ 460,954	\$ 529,394			(68,439)	
35																		
36																		
37	GO RCN Accumulated Depreciation per Direct Filing																	
38																		
39	Increase (Decrease) in GO RCN Accumulated Depreciation																	
40																		
41	Adjustment to GO RCN Accumulated Depreciation																	
42																		
43																		
44																		

Chaparral City Water Company
 Test Year Ended December 31, 2006
 Original Cost Rate Base Proforma Adjustments
 Adjustment 5

Exhibit
 Rebuttal Schedule B-3
 Page 7
 Witness: Bourassa

Line No.	Reclass CAP Allocation Costs	
1		
2		
3		
4	CAP Allocation Cost Per Direct Filing	\$ 1,280,000
5	RCN Factor	1.0000
6	RCN Value CAP Allocation	\$ 1,280,000
7		
8		
9		
10		
11		
12		
13		
14		
15	Increase (Decrease) to RCN Deferred Regulatory Assets	\$ (1,280,000)
16		
17		
18		
19	Note: CAP Allocation is reclassified to RCN Land and Land Rights. See B-3, page 3	
20		

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 6

Exhibit
Rebuttal Schedule B-3
Page 8
Witness: Bourassa

Line No.		
1	Cash Working Capital	
2		
3	Adjustment to Cash Working Capital based on RUCO Lead/Lag Study	\$ (111,606)
4	RCN Factor	1,0000
5	RCN Value Cash Working Capital	\$ (111,606)
6		
7		
8		
9		
10		
11		
12		
13		
14	Increase (Decrease) to Cash Working Capital	\$ (111,606)
15		
16		
17		
18		
19		
20		

Chaparral City Water Company
Test Year Ended December 31, 2006
Computation of Working Capital

Exhibit
Rebuttal Schedule B-5
Page 1
Witness: Bourassa

Line
No.

1		
2	Cash Working Capital	\$ (111,606)
3	Prepayments	192,485
4	Materials and Supplies	14,521

5		
6		
7		
8		
9	Total Working Capital Allowance	<u>\$ 95,400</u>

10		
11		
12	Working Capital Requested	<u>\$ 95,400</u>

13		
14		
15	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
16	RUCO Lead-Lag Study	Rebuttal B-1
17	E-1	Rebuttal B-2

18
19
20

Chaparral City Water Company
Test Year Ended December 31, 2006
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Adjusted Results	Adjustment	Test Year Settlement Adjusted Results	Proposed Rate Increase	Settlement Adjusted with Rate Increase
1	Revenues					
2	Metered Water Revenues	\$ 7,364,411	\$ 58,310	\$ 7,422,721	\$ 2,990,957	\$ 10,413,678
3	Unmetered Water Revenues	-	-	-	-	-
4	Other Water Revenues	82,289	-	82,289	-	82,289
5		<u>\$ 7,446,700</u>	<u>\$ 58,310</u>	<u>\$ 7,505,010</u>	<u>\$ 2,990,957</u>	<u>\$ 10,495,967</u>
6	Operating Expenses					
7	Salaries and Wages	\$ 969,244	-	\$ 969,244	-	\$ 969,244
8	Purchased Water	831,656	(10,186)	821,470	-	821,470
9	Purchased Power	602,982	11,619	614,600	-	614,600
10	Chemicals	127,457	-	127,457	-	127,457
11	Repairs and Maintenance	104,609	(43,217)	61,392	-	61,392
12	Office Supplies and Expense	19,800	-	19,800	-	19,800
13	Outside Services	266,544	(38,049)	228,495	-	228,495
14	Water Testing	43,458	(17,820)	25,638	-	25,638
15	Rents	-	-	-	-	-
16	Transportation Expenses	70,430	-	70,430	-	70,430
17	Insurance - General Liability	(1,294)	-	(1,294)	-	(1,294)
18	Insurance - Health and Life	-	-	-	-	-
19	Reg. Commission Exp. - Rate Case	144,871	34,633	179,504	-	179,504
20	Miscellaneous Expense	1,259,948	38,164	1,298,112	-	1,298,112
21	Depreciation Expense	1,608,019	(64,075)	1,543,944	-	1,543,944
22	Amortization of Well Settlement	(76,000)	-	(76,000)	-	(76,000)
23	Amortization of CAP	64,000	(64,000)	-	-	-
24	Taxes Other Than Income	47,873	-	47,873	-	47,873
25	Property Taxes	295,813	(44,320)	251,493	-	251,493
26	Income Tax	270,020	112,589	382,609	1,154,476	1,537,085
27	Total Operating Expenses	<u>\$ 6,649,429</u>	<u>\$ (84,663)</u>	<u>\$ 6,564,766</u>	<u>\$ 1,154,476</u>	<u>\$ 7,719,242</u>
28	Operating Income	<u>\$ 797,271</u>	<u>\$ 142,973</u>	<u>\$ 940,244</u>	<u>\$ 1,836,481</u>	<u>\$ 2,776,725</u>
29	Other Income (Expense)					
30	Interest Income	-	-	-	-	-
31	Other income (loss)	-	-	-	-	-
32	Interest Expense	(368,024)	-	(368,024)	-	(368,024)
33	Other Expense	-	-	-	-	-
34		-	-	-	-	-
35	Total Other Income (Expense)	<u>\$ (368,024)</u>	<u>\$ -</u>	<u>\$ (368,024)</u>	<u>\$ -</u>	<u>\$ (368,024)</u>
36	Net Profit (Loss)	<u><u>\$ 429,247</u></u>	<u><u>\$ 142,973</u></u>	<u><u>\$ 572,219</u></u>	<u><u>\$ 1,836,481</u></u>	<u><u>\$ 2,408,700</u></u>

SUPPORTING SCHEDULES:
Rebuttal C-1, page 2

RECAP SCHEDULES:
Rebuttal A-1

Chaparral City Water Company
Test Year Ended December 31, 2006
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2
Witness: Bourassa

Line No.	Revenues	Direct Filing Test Year Adjusted Results	1	2	3	4	5	6	7	8	9	10	11	12	Test Year Settlement Adjusted Results
			Depreciation	Property Tax	Rate Case Exp.	Revenue Annualization	CAP Alloc. Amortization	Capitalized Expenses	Water Testing	Purchased Water	Purchased Power	GO Expense	Interest Synch.	Income Taxes	
1	Metered Water Revenues	\$ 7,364,411				\$ 58,310									\$ 7,422,721
2	Unmetered Water Revenues	-													
3	Other Water Revenues	82,289													82,289
4		\$ 7,446,700				\$ 58,310									\$ 7,505,010
5															
6	Operating Expenses														
7	Salaries and Wages	\$ 969,244													\$ 969,244
8	Purchased Water	831,656								(10,186)					821,470
9	Purchased Power	602,982									11,619				614,600
10	Chemicals	127,457													127,457
11	Repairs and Maintenance	104,609						(43,217)							61,392
12	Office Supplies and Expense	19,800													19,800
13	Outside Services	266,544						(38,049)							228,495
14	Water Testing	43,458							(17,820)						25,638
15	Rent	-													-
16	Transportation Expenses	70,430													70,430
17	Insurance - General Liability	(1,294)													(1,294)
18	Insurance - Health and Life	-													-
19	Reg. Comm. Exp. - Rate Case	144,871			34,633										179,504
20	Miscellaneous Expense	1,259,948										38,164			1,298,112
21	Depreciation Expense	1,608,019	(64,075)												1,543,944
22	Amortization of Well Settlement	(76,000)					(64,000)								(76,000)
23	Amortization of CAP	64,000													-
24	Taxes Other Than Income	47,873													47,873
25	Property Taxes	295,813		(44,320)											251,493
26	Income Tax	270,020													382,609
27	Total Operating Expenses	\$ 6,649,429	\$ (64,075)	\$ (44,320)	\$ 34,633	\$ -	\$ (64,000)	\$ (81,266)	\$ (17,820)			\$ 38,164		\$ 112,589	\$ 6,564,766
28	Operating Income	\$ 797,271	\$ 64,075	\$ 44,320	\$ (34,633)	\$ 58,310	\$ 64,000	\$ 81,266	\$ 17,820			\$ (38,164)		\$ (112,589)	\$ 940,244
29	Other Income (Expense)	-													-
30	Interest Income	-													-
31	Other Income (loss)	-													-
32	Interest Expense	(388,024)													-
33	Other Expense	-													-
34		-													-
35	Total Other Income (Expense)	\$ (388,024)													\$ (388,024)
36	Net Profit (Loss)	\$ 429,247	\$ 64,075	\$ 44,320	\$ (34,633)	\$ 58,310	\$ 64,000	\$ 81,266	\$ 17,820			\$ (38,164)		\$ (112,589)	\$ 608,635
37															
38															
39															
40															

SUPPORTING SCHEDULES:
Rebuttal C-2

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 1
Witness: Bourassa

Line No.	1	2	3	4	5	6	Subtotal
	Depreciation Expense	Property Taxes	Rate Case Expense	Revenue Annualization	CAP Alloc. Amortization	Capitalized Expenses	
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							

Line No.	7	8	9	10	11	12	Subtotal
	Water Testing	Purchased Water	Purchased Power	Intentionally Left Blank	GO Expense	Income Tax	
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
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21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustments to Revenues and Expenses
Adjustment Number 1

Line No.	Depreciation Expense	Direct Adjusted Original Cost	Correction to match B-2 Direct Filing B-2 Detail	B-2 Adj 1 CAP Allocation Reclassification	B-2 Adj 1 Capitalize Expenses	B-2 Adj 1 Retire Wells & 9 & Wtr. Treatment	B-2 Adj 1 Reclassification	B-2 Adj 3 Remove GO Plant	Rebuttal Original Cost	Depr. Rate	Rebuttal Depreciation Expense
1	Account										
2	301 Organization Cost	-	-	-	-	-	-	-	-	0.00%	-
3	302 Franchise Cost	271,858	-	1,280,000	-	-	-	-	1,551,858	0.00%	-
4	303 Land and Land Rights	1,518,848	-	-	11,590	(596)	-	-	1,529,642	3.33%	50,937
5	304 Structures and Improvements	6,548	-	-	-	-	(6,548)	-	-	2.50%	-
6	305 Collecting and Impounding Res.	-	-	-	-	-	-	-	-	2.50%	-
7	306 Lake River and Other Intakes	332,065	-	-	-	(106,816)	(65,622)	-	159,627	3.33%	5,316
8	307 Wells and Springs	-	-	-	-	-	-	-	-	6.87%	-
9	308 Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	-	2.00%	-
10	309 Supply Mains	-	-	-	-	-	-	-	-	5.00%	-
11	310 Power Generation Equipment	1,483,614	23,294	-	-	-	55,253	-	1,588,246	12.50%	198,531
12	311 Electric Pumping Equipment	7,757,814	5,686	-	26,084	(2,010,923)	34,062	-	5,786,639	3.33%	192,895
13	312 Water Treatment Equipment	8,170,420	-	-	-	-	(1,658,271)	-	6,512,148	2.22%	144,570
14	313 Dist. Reservoirs & Standpipe	17,450,634	-	-	-	-	1,502,420	-	18,953,054	2.00%	379,061
15	314 Trans and Dist Mains	7,389,930	-	-	-	-	106,408	-	7,496,338	3.33%	249,628
16	315 Services	2,722,117	3,556	-	-	-	-	-	2,736,869	8.33%	227,981
17	316 Meters	1,171,633	-	-	-	-	53,353	-	1,224,985	2.00%	24,500
18	317 Backflow Prevention Devices	-	-	-	-	-	-	-	-	6.67%	-
19	318 Other Plant and Misc Equipment	1,610,687	-	-	43,217	-	106,542	-	1,760,446	6.67%	117,422
20	319 Office Furniture and Fixtures	270,359	-	-	-	-	1,814	-	272,173	6.67%	18,154
21	320 Transportation Equipment	535,315	-	-	-	-	-	-	535,315	20.00%	107,063
22	321 Stores Equipment	149,365	-	-	-	-	-	-	149,365	4.00%	7,468
23	322 Tools and Work Equipment	-	-	-	-	-	-	-	-	5.00%	-
24	323 Laboratory Equipment	-	-	-	-	-	-	-	-	10.00%	-
25	324 Power Operated Equipment	39,105	-	-	-	-	-	-	39,105	5.00%	3,911
26	325 Communications Equipment	106,542	-	-	-	-	-	-	-	10.00%	0
27	326 Miscellaneous Equipment	34,062	-	-	-	-	(106,542)	-	0	10.00%	-
28	327 Other Tangible Plant	-	-	-	-	-	(34,062)	-	-	10.00%	-
29	328 Rounding	(3)	-	-	-	-	-	-	-	-	-
30	TOTALS	\$ 51,020,714	\$ 32,536	\$ 1,280,000	\$ 80,891	\$ (2,118,336)	\$ (0)	\$ -	\$ 50,295,805		\$ 1,727,235
31	General Office Plant Allocated										
32	301 Organization	528	-	-	-	-	-	(67)	461	0.00%	-
33	302 Franch. and Other Intangibles	34,965	-	-	-	-	-	(16,226)	18,739	0.00%	-
34	303 Structures and Improvements	186,270	-	-	-	-	-	(46,759)	139,512	3.33%	4,646
35	304 Electric Pumping Equipment	(29)	-	-	-	-	-	3	(26)	12.50%	-
36	305 Other Plant and Equipment	27,201	-	-	-	-	-	(3,474)	23,727	3.33%	790
37	306 Office Furniture and Equipment	458,027	-	-	-	-	-	(58,502)	399,525	6.67%	26,636
38	307 Transportation Equipment	17,742	-	-	-	-	-	(9,938)	7,804	20.00%	-
39	308 Tools and Work Equipment	13,021	-	-	-	-	-	(1,663)	11,358	5.00%	568
40	309 Laboratory Equipment	130	-	-	-	-	-	(17)	114	10.00%	11
41	310 Communication Equipment	5,315	-	-	-	-	-	(679)	4,636	10.00%	-
42	311 Power Operated Equipment	8,001	-	-	-	-	-	(1,022)	6,979	5.00%	-
43	Totals GO Plant	\$ 751,172	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (138,344)	\$ 612,828		\$ 32,651
44	Totals Plant-in-Service	\$ 51,771,886	\$ -	\$ 1,280,000	\$ 80,891	\$ (2,118,336)	\$ (0)	\$ (138,344)	\$ 50,908,633		
45	Less: Amortization of Contributions - Balance	\$ 6,288,097							6,288,097	3.4342%	\$ (215,943)
46	Total Depreciation Expense								\$ 1,543,944		
47	Direct Filing Depreciation Expense								\$ 1,608,019		
48	Increase (decrease) in Depreciation Expense								(64,075)		
49	Adjustment to Revenues and/or Expenses								\$ (64,075)		
50	* Fully depreciated								\$ (64,075)		

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Rebuttal Schedule C-2
Page 3
Witness: Bourassa

Line No.		
1	<u>Property Taxes:</u>	
2		
3	Rebuttal Adjusted Revenues in year ended 12/31/06	\$ 7,505,010
4	Rebuttal Adjusted Revenues in year ended 12/31/06	7,505,010
5	Proposed Revenues	<u>10,495,967</u>
6	Average of three year's of revenue	\$ 8,501,996
7	Average of three year's of revenue, times 2	\$ 17,003,991
8	Add:	
9	Construction Work in Progress at 10%	\$ -
10	Deduct:	
11	Book Value of Transportation Equipment	<u>474,679</u>
12		
13	Full Cash Value	\$ 16,529,313
14	Assessment Ratio	<u>22%</u>
15	Assessed Value	3,636,449
16	Property Tax Rate	6.9159%
17		
18	Property Tax	251,493
19	Tax on Parcels	0
20		
21	Total Property Tax at Proposed Rates	\$ 251,493
22	Property Taxes in the test year	<u>295,813</u>
23	Change in Property Taxes	<u>\$ (44,320)</u>
24		
25		
26	Adjustment to Revenues and/or Expenses	<u>\$ (44,320)</u>
27		
28		

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rebuttal Schedule C-2
Page 4
Witness: Bourassa

Line

No.

1	<u>Rate Case Expense</u>	
2		
3	Rate case Expense for instant case	\$ 280,000
4	Rate case expense for Remand	\$ 258,511
5	Total Rate case expense	\$ 538,511
6		
7	Estimated Amortization Period (in Years)	3.0
8		
9	Annual Rate Case Expense	\$ 179,504
10		
11	Test Year Rate Case Expense	\$ 144,871
12		
13	Increase(decrease) Rate Case Expense	\$ 34,633
14		
15	Adjustment to Revenue and/or Expense	\$ 34,633
16		
17		
18		
19		
20		
21		
22		
23		
24		

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rebuttal Schedule C-2
Page 5
Witness: Bourassa

Line

No.

1	<u>Revenue Annualization Adjustment</u>	
2		
3		
4	Revenue Annulization per Rebuttal Filing	\$ (250,897)
5	Company Revenue Annualization per Direct Filing	<u>(309,207)</u>
6		
7	Increase (Decrease) in Revenues	\$ 58,310
8		
9		
10	Adjustment to Revenue and/or Expense	<u>\$ 58,310</u>
11		
12		
13		
14		
15		
16		
17	<u>SUPPORTING SCHEDULES</u>	
18	C-2, page 5.1 to 5.15	
19		
20		
21		
22		

Chaparral City Water Company

3/4 Inch Residential

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Rebuttal Schedule C-2

Page 5.1

Witness: Bourassa

Line

No.

Year End Number of Customers

Actual Customers

Increase in Number of Customers/Bills

Average Revenue / Present Rates

Revenue Annualization / Present Rates

Increase in Number of Customers

Average Revenue / Proposed Rates

Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

Year End Number of Customers

Actual Customers

Increase in Number of Customers/Bills

Average Revenue / Present Rates

Revenue Annualization / Present Rates

Increase in Number of Customers

Average Revenue / Proposed Rates

Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	8,373	8,373	8,373	8,373	8,373	8,373	8,373
2	8,380	8,370	8,383	8,390	8,380	8,364	8,353
3	(7)	3	(10)	(17)	(7)	9	20
4	\$ 31.10	\$ 29.04	\$ 28.44	\$ 30.82	\$ 30.58	\$ 37.09	\$ 39.14
5	\$ (218)	\$ 87	\$ (284)	\$ (524)	\$ (214)	\$ 334	\$ 783
6							
7	(7)	3	(10)	(17)	(7)	9	20
8	\$ 41.91	\$ 39.15	\$ 38.33	\$ 41.54	\$ 41.22	\$ 49.98	\$ 52.73
9	\$ (293)	\$ 117	\$ (383)	\$ (706)	\$ (289)	\$ 450	\$ 1,055
10	\$ (55,604)	\$ 21,385	\$ (68,870)	\$ (133,173)	\$ (54,174)	\$ 90,894	\$ 215,479
11							
12							
13							
14							
15	8,373	8,373	8,373	8,373	8,373	8,373	8,373
16	8,362	8,350	8,355	8,355	8,373	8,373	8,373
17	11	23	18	18	-	-	61
18	\$ 33.41	\$ 35.99	\$ 31.66	\$ 32.67	\$ 30.44		
19	\$ 367	\$ 828	\$ 570	\$ 588	\$ -		\$ 2,317
20							
21	11	23	18	18	-		
22	\$ 45.02	\$ 48.50	\$ 42.67	\$ 44.02	\$ 41.03		\$ 3,122
23	\$ 367	\$ 828	\$ 570	\$ 588	\$ -		\$ 638,575
24	\$ 97,466	\$ 223,956	\$ 147,029	\$ 154,188	\$ -		

Exhibit
Rebuttal Schedule C-2
Page 5.2
Witness: Bourassa

Customers to Year End Levels

Page 5.2

Witness: Bourassa

Test Year Ended December 31, 2006

Line No.	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	4,118	4,118	4,118	4,118	4,118	4,118	4,118
2	3,841	3,860	3,910	3,895	3,940	4,028	4,057
3	277	258	208	223	178	90	61
4	\$ 45.93	\$ 43.43	\$ 42.61	\$ 45.87	\$ 45.80	\$ 52.16	\$ 54.23
5	\$ 12,723	\$ 11,205	\$ 8,864	\$ 10,229	\$ 8,152	\$ 4,694	\$ 3,308
6							
7	277	258	208	223	178	90	61
8	\$ 61.77	\$ 58.40	\$ 57.31	\$ 61.69	\$ 61.59	\$ 70.15	\$ 72.95
9	\$ 17,110	\$ 15,068	\$ 11,920	\$ 13,756	\$ 10,963	\$ 6,314	\$ 4,450
10	2,553,562	2,122,337	1,643,722	2,050,272	1,631,380	1,052,111	763,324
11							
12							
13							
14							
15	4,118	4,118	4,118	4,118	4,118	4,118	4,118
16	4,064	4,080	4,117	4,091	4,118	4,118	4,118
17	54	38	1	27	-	-	1,415
18	\$ 49.86	\$ 53.76	\$ 48.12	\$ 48.22	\$ 46.99	\$ 65,260	\$ 65,260
19	\$ 2,692	\$ 2,043	\$ 48	\$ 1,302	\$ -	\$ -	\$ -
20							
21	54	38	1	27	-	-	-
22	\$ 67.06	\$ 72.31	\$ 64.72	\$ 64.85	\$ 63.20	\$ 87,764	\$ 87,764
23	\$ 2,692	\$ 2,043	\$ 48	\$ 1,302	\$ -	\$ -	\$ -
24	581,972	468,413	10,089	273,385	-	-	13,150,567

Exhibit
Rebuttal Schedule C-2
Page 5.3
Witness: Bourassa

[illegible]

Exhibit
Rebuttal Schedule C-2
Page 5.4
Witness: Bourassa

Customers to Year End Levels

Customers to Year End Levels

Witness: Bourassa

Line No.	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	39	39	39	39	39	39	39
2	38	39	39	39	39	39	39
3	1	-	-	-	-	-	-
4	\$ 253.25	\$ 216.80	\$ 216.25	\$ 240.19	\$ 251.05	\$ 289.04	\$ 320.32
5	\$ 253	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6							
7	1	-	-	-	-	-	-
8	\$ 340.22	\$ 291.16	\$ 290.42	\$ 322.65	\$ 337.26	\$ 388.40	\$ 430.50
9	\$ 340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	71,527	-	-	-	-	-	-
11							
12							
13							
14							
15	39	39	39	39	39	39	39
16	39	39	39	39	39	39	39
17	-	-	-	-	-	-	1
18	\$ 291.92	\$ 282.84	\$ 187.47	\$ 297.89	\$ 234.12		
19	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 253
20							
21	-	-	-	-	-		
22	\$ 392.27	\$ 380.05	\$ 251.68	\$ 400.32	\$ 314.47		\$ 340
23	\$ -	\$ -	\$ -	\$ -	\$ -		
24	-	-	-	-	-		71,527

Chaparral City Water Company

3 Inch Residential

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Rebuttal Schedule C-2

Page 5.5

Witness: Bourassa

Line No.		Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	Year End Number of Customers	3	3	3	3	3	3	3
2	Actual Customers	3	2	2	2	2	3	2
3	Increase in Number of Customers/Bills	-	1	1	1	1	-	1
4	Average Revenue / Present Rates	\$ 269.90	\$ 307.28	\$ 336.26	\$ 365.24	\$ 363.98	\$ 334.16	\$ 417.53
5	Revenue Annualization / Present Rates	\$ -	\$ 307	\$ 336	\$ 365	\$ 364	\$ -	\$ 418
6								
7	Increase in Number of Customers	-	1	1	1	1	-	1
8	Average Revenue / Proposed Rates	\$ 361.98	\$ 412.29	\$ 451.30	\$ 490.31	\$ 488.61	\$ 448.47	\$ 560.69
9	Revenue Annualization / Proposed Rates	\$ -	\$ 412	\$ 451	\$ 490	\$ 489	\$ -	\$ 561
10	Additional Gallons to be Produced	-	64,001	75,501	87,001	86,501	-	107,750
11								
12								
13								
14								
15	Year End Number of Customers	3	3	3	3	3	3	3
16	Actual Customers	3	3	3	3	3	3	3
17	Increase in Number of Customers/Bills	-	-	-	-	-	-	5
18	Average Revenue / Present Rates	\$ 289.22	\$ 332.48	\$ 304.76	\$ 335.84	\$ 277.46		
19	Revenue Annualization / Present Rates	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 1,790
20								
21	Increase in Number of Customers	-	-	-	-	-	-	
22	Average Revenue / Proposed Rates	\$ 387.98	\$ 446.21	\$ 408.90	\$ 450.73	\$ 372.15		\$ 2,403
23	Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 420,752
24	Additional Gallons to be Produced	-	-	-	-	-		

Chaparral City Water Company

3/4 Commercial

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Rebuttal Schedule C-2
Page 5.6
Witness: Bourassa

Line
No.

Year End Number of Customers
Actual Customers

Increase in Number of Customers/Bills
Average Revenue / Present Rates
Revenue Annualization / Present Rates

Increase in Number of Customers
Average Revenue / Proposed Rates
Revenue Annualization / Proposed Rates
Additional Gallons to be Produced

Year End Number of Customers
Actual Customers

Increase in Number of Customers/Bills
Average Revenue / Present Rates
Revenue Annualization / Present Rates

Increase in Number of Customers
Average Revenue / Proposed Rates
Revenue Annualization / Proposed Rates
Additional Gallons to be Produced

Month of <u>Jan-06</u>	Month of <u>Feb-06</u>	Month of <u>Mar-06</u>	Month of <u>Apr-06</u>	Month of <u>May-06</u>	Month of <u>Jun-06</u>	Month of <u>Jul-06</u>
115	115	115	115	115	115	115
116	116	114	115	113	114	115
(1)	(1)	1	-	2	1	-
\$ 48.41	\$ 42.45	\$ 42.53	\$ 45.71	\$ 44.38	\$ 52.16	\$ 57.72
\$ (48)	\$ (42)	\$ 43	\$ -	\$ 89	\$ 52	\$ -
(1)	(1)	1	-	2	1	-
\$ 65.16	\$ 57.13	\$ 57.24	\$ 61.52	\$ 59.73	\$ 70.20	\$ 77.68
\$ (65)	\$ (57)	\$ 57	\$ -	\$ 119	\$ 70	\$ -
(13,005)	(11,035)	11,062	-	23,346	14,242	-
Month of <u>Aug-06</u>	Month of <u>Sep-06</u>	Month of <u>Oct-06</u>	Month of <u>Nov-06</u>	Month of <u>Dec-06</u>	Total Year	
115	115	115	115	115		
115	115	116	117	115		
-	-	(1)	(2)	-	(1)	
\$ 49.68	\$ 52.52	\$ 44.52	\$ 49.13	\$ 34.73		
\$ -	\$ -	\$ (45)	\$ (98)	\$ -	\$ (50)	
-	-	(1)	(2)	-		
\$ 66.86	\$ 70.69	\$ 59.92	\$ 66.12	\$ 46.74	\$ (68)	
\$ -	\$ -	\$ (45)	\$ (98)	\$ -	\$ (13,590)	
-	-	(11,720)	(26,479)	-		

Exhibit
Rebuttal Schedule C-2
Page 5.7
Witness: Bourassa

Line No.	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	117	117	117	117	117	117	117
2	112	113	112	112	112	113	114
3	5	4	5	5	5	4	3
4	\$ 58.36	\$ 66.23	\$ 63.61	\$ 69.71	\$ 68.26	\$ 91.36	\$ 92.10
5	\$ 292	\$ 265	\$ 318	\$ 349	\$ 341	\$ 365	\$ 276
6							
7	5	4	5	5	5	4	3
8	\$ 78.50	\$ 89.10	\$ 85.56	\$ 93.78	\$ 91.83	\$ 122.92	\$ 123.91
9	\$ 393	\$ 356	\$ 428	\$ 469	\$ 459	\$ 492	\$ 372
10	70,761	69,099	81,163	93,283	90,404	106,798	80,830
11							
12							
13							
14							
15	117	117	117	117	117	117	
16	113	117	114	117	117		
17	4	-	3	-	-		38
18	\$ 66.40	\$ 70.17	\$ 58.27	\$ 59.66	\$ 53.16		
19	\$ 266	\$ -	\$ 175	\$ -	\$ -		\$ 2,647
20							
21	4	-	3	-	-		
22	\$ 89.32	\$ 94.40	\$ 78.38	\$ 80.25	\$ 71.50		\$ 3,561
23	\$ 266	\$ -	\$ 175	\$ -	\$ -		704,047
24	69,365	-	42,343	-	-		

Chaparral City Water Company

1 1/2 Inch Commercial

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit

Rebuttal Schedule C-2

Page 5.8

Witness: Bourassa

Line No.

Year End Number of Customers

Actual Customers

Increase in Number of Customers/Bills

Average Revenue / Present Rates

Revenue Annualization / Present Rates

Increase in Number of Customers

Average Revenue / Proposed Rates

Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

Year End Number of Customers

Actual Customers

Increase in Number of Customers/Bills

Average Revenue / Present Rates

Revenue Annualization / Present Rates

Increase in Number of Customers

Average Revenue / Proposed Rates

Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

Month of	Month of	Month of	Month of	Month of	Month of	Month of
Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06
67	67	67	67	67	67	67
65	65	65	66	66	65	66
2	2	2	1	1	2	1
\$ 154.90	\$ 150.64	\$ 136.31	\$ 147.52	\$ 147.67	\$ 185.11	\$ 198.12
\$ 310	\$ 301	\$ 273	\$ 148	\$ 148	\$ 370	\$ 198

Month of	Month of	Month of	Month of	Month of	Month of	Total Year
Aug-06	Sep-06	Oct-06	Nov-06	Dec-06		
67	67	67	67	67		
66	67	67	67	67		
1	-	-	-	-		12
\$ 187.15	\$ 183.29	\$ 163.48	\$ 161.57	\$ 172.02		
\$ 187	\$ -	\$ -	\$ -	\$ -		\$ 1,934

Month of	Month of	Month of	Month of	Month of	Month of	Total Year
Aug-06	Sep-06	Oct-06	Nov-06	Dec-06		
67	67	67	67	67		
66	67	67	67	67		
1	-	-	-	-		12
\$ 251.80	\$ 246.60	\$ 219.94	\$ 217.36	\$ 231.44		
\$ 187	\$ -	\$ -	\$ -	\$ -		\$ 2,602
\$ 56,250	\$ -	\$ -	\$ -	\$ -		\$ 551,322

Chaparral City Water Company

2 Inch Commercial

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Rebuttal Schedule C-2

Page 5.9

Witness: Bourassa

Line

No.

1 Year End Number of Customers

2 Actual Customers

3 Increase in Number of Customers/Bills

4 Average Revenue / Present Rates

5 Revenue Annualization / Present Rates

6

7 Increase in Number of Customers

8 Average Revenue / Proposed Rates

9 Revenue Annualization / Proposed Rates

10 Additional Gallons to be Produced

11

12

13

14

15

16 Year End Number of Customers

17 Actual Customers

18 Increase in Number of Customers/Bills

19 Average Revenue / Present Rates

20 Revenue Annualization / Present Rates

21

22 Increase in Number of Customers

23 Average Revenue / Proposed Rates

24 Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
	71	71	71	71	71	71	71
	71	71	71	71	71	71	72
	-	-	-	-	-	-	(1)
	\$ 223.05	\$ 218.06	\$ 217.63	\$ 236.71	\$ 251.14	\$ 294.48	\$ 267.22
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (267)
	-	-	-	-	-	-	-
	\$ 299.57	\$ 292.86	\$ 292.28	\$ 317.96	\$ 337.38	\$ 395.71	\$ 359.02
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (359)
	-	-	-	-	-	-	(77,070)
	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	
	71	71	71	71	71		
	72	72	71	71	71		
	(1)	(1)	-	-	-	(3)	
	\$ 244.62	\$ 266.60	\$ 247.87	\$ 225.66	\$ 250.45		
	\$ (245)	\$ (267)	\$ -	\$ -	\$ -	\$ (778)	
	(1)	(1)	-	-	-		
	\$ 328.61	\$ 358.20	\$ 332.99	\$ 303.08	\$ 336.45		
	\$ (245)	\$ (267)	\$ -	\$ -	\$ -	\$ (1,046)	
	(68,105)	(76,827)	-	-	-	(222,001)	

Chaparral City Water Company

3 Inch Commercial

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Rebuttal Schedule C-2

Page 5.10

Witness: Bourassa

Line
No.

Year End Number of Customers

Actual Customers

Increase in Number of Customers/Bills

Average Revenue / Present Rates

Revenue Annualization / Present Rates

Increase in Number of Customers

Average Revenue / Proposed Rates

Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

Year End Number of Customers

Actual Customers

Increase in Number of Customers/Bills

Average Revenue / Present Rates

Revenue Annualization / Present Rates

Increase in Number of Customers

Average Revenue / Proposed Rates

Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
5	5	5	5	5	5	5
5	5	6	5	5	5	5
-	-	(1)	-	-	-	-
\$ 203.21	\$ 240.50	\$ 206.06	\$ 239.75	\$ 243.27	\$ 217.32	\$ 245.79
\$ -	\$ -	\$ (206)	\$ -	\$ -	\$ -	\$ -
-	-	(1)	-	-	-	-
\$ 272.20	\$ 322.40	\$ 276.04	\$ 321.38	\$ 326.13	\$ 291.19	\$ 329.52
\$ -	\$ -	\$ (276)	\$ -	\$ -	\$ -	\$ -
-	-	(23,834)	-	-	-	-
Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year	
5	5	5	5	5	(1)	
5	5	5	5	5		
-	-	-	-	-	(1)	
\$ 281.58	\$ 280.82	\$ 219.84	\$ 211.52	\$ 212.53		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (206)	
-	-	-	-	-		
\$ 377.69	\$ 376.67	\$ 294.59	\$ 283.39	\$ 284.75		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (276)	
-	-	-	-	-	(23,834)	

Chaparral City Water Company

34 Inch Irrigation

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit

Rebuttal Schedule C-2

Page 5.11

Witness: Bourassa

Line

No.

Year End Number of Customers

Actual Customers

Increase in Number of Customers/Bills

Average Revenue / Present Rates

Revenue Annualization / Present Rates

Increase in Number of Customers

Average Revenue / Proposed Rates

Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

Year End Number of Customers

Actual Customers

Increase in Number of Customers/Bills

Average Revenue / Present Rates

Revenue Annualization / Present Rates

Increase in Number of Customers

Average Revenue / Proposed Rates

Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	147	147	147	147	147	147	147
2	144	144	144	144	144	145	145
3	3	3	3	3	3	2	2
4	\$ 37.16	\$ 33.93	\$ 32.14	\$ 33.03	\$ 34.04	\$ 40.61	\$ 52.33
5	\$ 111	\$ 102	\$ 96	\$ 99	\$ 102	\$ 81	\$ 105
6							
7	3	3	3	3	3	2	2
8	\$ 69.52	\$ 62.50	\$ 58.60	\$ 60.55	\$ 62.75	\$ 77.03	\$ 102.52
9	\$ 209	\$ 188	\$ 176	\$ 182	\$ 188	\$ 154	\$ 205
10	45,303	39,095	35,647	37,366	39,314	34,628	49,656
11							
12							
13							
14							
15	147	147	147	147	147	147	147
16	146	146	147	147	147	147	147
17	1	1	-	-	-	-	21
18	\$ 45.61	\$ 49.16	\$ 42.35	\$ 40.33	\$ 35.44		
19	\$ 46	\$ 49	\$ -	\$ -	\$ -		\$ 792
20							
21	1	1	-	-	-	-	
22	\$ 87.91	\$ 95.62	\$ 80.81	\$ 76.43	\$ 65.79		\$ 1,484
23	\$ 46	\$ 49	\$ -	\$ -	\$ -		\$ 324,325
24	20,521	22,795	-	-	-		

Chaparral City Water Company

1 Inch Irrigation

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Rebuttal Schedule C-2
Page 5.12
Witness: Bourassa

Line

No.

Year End Number of Customers

Actual Customers

Increase in Number of Customers/Bills

Average Revenue / Present Rates

Revenue Annualization / Present Rates

Increase in Number of Customers

Average Revenue / Proposed Rates

Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

Year End Number of Customers

Actual Customers

Increase in Number of Customers/Bills

Average Revenue / Present Rates

Revenue Annualization / Present Rates

Increase in Number of Customers

Average Revenue / Proposed Rates

Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
1	176	176	176	176	176	176	176
2	166	166	169	167	167	167	167
3	10	10	7	9	9	9	9
4	\$ 81.05	\$ 68.21	\$ 65.06	\$ 66.65	\$ 69.18	\$ 88.27	\$ 110.81
5	\$ 811	\$ 682	\$ 455	\$ 600	\$ 623	\$ 794	\$ 997
6							
7	10	10	7	9	9	9	9
8	\$ 157.37	\$ 129.46	\$ 122.60	\$ 126.06	\$ 131.57	\$ 173.08	\$ 222.08
9	\$ 1,574	\$ 1,295	\$ 858	\$ 1,135	\$ 1,184	\$ 1,558	\$ 1,999
10	374,040	291,751	190,059	253,539	268,171	378,300	508,315
11							
12							
13							
14							
15	176	176	176	176	176	176	176
16	169	171	173	176	176	176	176
17	7	5	3	-	-	-	78
18	\$ 118.29	\$ 102.80	\$ 93.47	\$ 98.40	\$ 90.81		
19	\$ 828	\$ 514	\$ 280	\$ -	\$ -		
20							
21	7	5	3	-	-	-	
22	\$ 238.36	\$ 204.67	\$ 184.38	\$ 195.11	\$ 178.59		
23	\$ 828	\$ 514	\$ 280	\$ -	\$ -		\$ 12,847
24	428,949	256,742	136,094	-	-		3,085,959

Chaparral City Water Company

15 Inch Irrigation

Customers to Year End Levels

Test Year Ended December 31, 2006

Exhibit
Rebuttal Schedule C-2
Page 5.13
Witness: Bourassa

Line

No.

Year End Number of Customers

Actual Customers

Increase in Number of Customers/Bills

Average Revenue / Present Rates

Revenue Annualization / Present Rates

Increase in Number of Customers

Average Revenue / Proposed Rates

Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

Year End Number of Customers

Actual Customers

Increase in Number of Customers/Bills

Average Revenue / Present Rates

Revenue Annualization / Present Rates

Increase in Number of Customers

Average Revenue / Proposed Rates

Revenue Annualization / Proposed Rates

Additional Gallons to be Produced

	Month of Jan-06	Month of Feb-06	Month of Mar-06	Month of Apr-06	Month of May-06	Month of Jun-06	Month of Jul-06
	69	66	69	69	69	69	69
	66	66	71	67	67	67	68
	3	3	(2)	2	2	2	1
	\$ 143.74	\$ 116.52	\$ 130.08	\$ 159.46	\$ 145.59	\$ 143.38	\$ 308.96
	\$ 431	\$ 350	\$ (260)	\$ 319	\$ 291	\$ 287	\$ 309

	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year
	69	69	69	69	69	12
	68	69	69	69	69	
	1	-	-	-	-	
	\$ 174.49	\$ 165.27	\$ 148.26	\$ 206.95	\$ 127.05	\$ 1,901
	\$ 174	\$ -	\$ -	\$ -	\$ -	

	Month of Aug-06	Month of Sep-06	Month of Oct-06	Month of Nov-06	Month of Dec-06	Total Year
	69	69	69	69	69	12
	68	69	69	69	69	
	1	-	-	-	-	
	\$ 341.69	\$ 321.64	\$ 284.65	\$ 412.27	\$ 238.54	\$ 3,681
	\$ 174	\$ -	\$ -	\$ -	\$ -	\$ 869,309
	82,750	-	-	-	-	

[illegible]

Chaparral City Water Company
Test Year Ended December 31, 2006
Revenue Annualization
4 Inch Irrigation Meters

Line No.	Month	2006		2006		2007		Projected Amount Billed		Projected Amount Billed	
		Actual Usage	Current Rates	Amount Billed	Proposed Rates	Usage	Proposed Rates	Current Rates	Amount Billed	Current Rates	Amount Billed
1	Jan.	-	\$ 227.00	\$ 305.00	-	-	-	\$ 227.00	\$ 305.00	-	-
2	Feb.	17,000	253.52	362.66	-	-	-	227.00	305.00	-	-
3	Mar.	31,614,000	49,544.84	107,539.69	-	-	-	227.00	305.00	-	-
4	Apr.	-	227.00	305.00	-	-	-	227.00	305.00	-	-
5	May	4,671,000	7,513.76	16,149.03	430,000	Actual	1,763.56	897.80	1,763.56	-	-
6	Jun.	11,344,000	17,923.64	38,783.85	1,372,000	Actual	4,958.82	2,367.32	4,958.82	-	-
7	Jul.	4,536,000	7,303.16	15,691.11	2,440,000	Actual	8,581.48	4,033.40	8,581.48	-	-
8	Aug.	-	227.00	305.00	-	-	-	227.00	305.00	-	-
9	Sep.	-	227.00	305.00	-	-	-	227.00	305.00	-	-
10	Oct.	-	227.00	305.00	-	-	-	227.00	305.00	-	-
11	Nov.	597,000	1,158.32	2,330.02	5,288,000	Actual	18,241.90	8,476.28	18,241.90	-	-
12	Dec.	381,000	821.36	1,597.35	-	-	-	227.00	305.00	-	-
13	Total	53,160,000	\$ 85,653.60	\$ 183,978.72	9,530,000			\$ 17,590.80	\$ 35,985.76		
14		[1]	[2]	[3]	[4]			[5]	[6]		
15	Annualization at present rates [5] - [2]			\$ (68,062.80)							
16	Annualization at proposed rates [6] - [3]			\$ (147,992.96)							
17	Additional Gallons (in 1,000's) [4] - [1] / 1000			(43,630)							

Line No.	Sunridge Canyon G.C.											
1	Account: 6008478-7											
2												
3												
4												
5												
6	<u>Month</u>	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>2007</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
7	Jan.	-	Amount	Amount	Usage	Amount	Amount	Amount	Amount	Amount	Amount	Amount
8	Feb.	505,000	Billed	Billed		Billed	Billed	Billed	Billed	Billed	Billed	Billed
9	Mar.	-	Current Rates	Proposed Rates		Current Rates	Current Rates	Current Rates	Current Rates	Current Rates	Current Rates	Current Rates
10	Apr.	1,312,000	\$	\$	256,000	\$	\$	\$	\$	\$	\$	\$
11	May	3,612,000	454.00	610.00	-	454.00	454.00	454.00	454.00	454.00	454.00	454.00
12	Jun.	568,000	1,241.80	2,322.96	-	1,241.80	1,241.80	1,241.80	1,241.80	1,241.80	1,241.80	1,241.80
13	Jul.	1,173,000	454.00	610.00	-	454.00	454.00	454.00	454.00	454.00	454.00	454.00
14	Aug.	-	2,500.72	5,060.30	1,000	2,500.72	2,500.72	2,500.72	2,500.72	2,500.72	2,500.72	2,500.72
15	Sep.	-	6,088.72	12,861.90	-	6,088.72	6,088.72	6,088.72	6,088.72	6,088.72	6,088.72	6,088.72
16	Oct.	1,503,000	1,340.08	2,536.66	-	1,340.08	1,340.08	1,340.08	1,340.08	1,340.08	1,340.08	1,340.08
17	Nov.	1,249,000	2,283.88	4,588.82	-	2,283.88	2,283.88	2,283.88	2,283.88	2,283.88	2,283.88	2,283.88
18	Dec.	-	454.00	610.00	-	454.00	454.00	454.00	454.00	454.00	454.00	454.00
19			454.00	610.00	-	454.00	454.00	454.00	454.00	454.00	454.00	454.00
20	Total	9,922,000	\$	\$	5,929,000	\$	\$	\$	\$	\$	\$	\$
21		[1]	[2]	[3]	[4]							
22												
23												
24	Revenue Annualization at present rates [5] - [2]			\$	(6,855.44)							
25	Revenue Annualization at proposed rates [6] - [3]			\$	(14,717.61)							
26	Additional Gallons (in 1,000's) [4] - [1] / 1000				(3,993)							
27												
28												
29												
30												

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rebuttal Schedule C-2
Page 6
Witness: Bourassa

Line

No.

1 Remove Amortization of CAP Allocation

2

3

4 CAP Amortization Per Direct Filing (See also Staff Adj. 5 on Sch MEM-18) \$ 64,000

5

6

7

8

9

10 Adjustment to Revenue and/or Expense \$ (64,000)

11

12

13

14

15

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Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rebuttal Schedule C-2
Page 7
Witness: Bourassa

Line

No.

1	<u>Capitalized Expenses</u>		
2			
3			
4	Remove Capitalized Expenses in Outside Services Expense (Staff Schedule MEM-10)	\$	(37,674)
5	Disallowed Late Filing Penalty (per Staff Adj. #10, schedule MEM-23)		(45)
6	Rate Case Expense for Appellate Court (per Staff Adj. #10, schedule MEM-23)		<u>(330)</u>
7			
8	Increase(Decrease) in Outside Services Expense	\$	(38,049)
9			
10			
11	Remove Capitalized Expenses in Repairs and maintenance (RUCO Schedule MEM-10)	\$	<u>(43,217)</u>
12			
13	Increase(Decrease) in Repairs and Maintenance	\$	<u>(43,217)</u>
14			
15			
16	Adjustment to Revenue and/or Expense	\$	<u><u>(81,266)</u></u>
17			
18			
19			
20			
21			
22			
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24			
25			

Chaparral City Water Company
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rebuttal Schedule C-2
Page 8
Witness: Bourassa

Line

No.

1	<u>Water Testing Expense</u>	
2		
3		
4	Water Testing Expense per Staff (Staff schedule MEM-24)	\$ 25,638
5		
6	Water Testing Expense per Direct Filing	<u>43,458</u>
7		
8		
9	Increase (decrease) in Water testing Expense	\$ (17,820)
10		
11		
12		
13		
14	Adjustment to Revenue and/or Expense	<u>\$ (17,820)</u>
15		
16		
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Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rebuttal Schedule C-2
Page 9
Witness: Bourassa

Line

No.

1	<u>Purchased Water</u>		
2			
3	Central Arizona Project water allocation 2006 (acre feet)	6,978	
4	Additional CAP allocation (acre feet) - Adjusted by 50%	966	
5	Central Arizona Project water allocation 2006 (acre feet)	<u>7,944</u>	
6	2008 capital cost per acre foot (take or pay)	\$ 21	
7	Total Capital Cost		\$ 166,814
8			
9	Central Arizona Project water delivered 2006 (acre feet)	6,978	
10	Excess CAP water delivered 2006 (acre feet)	260	
11	Additional gallons from annualization in acre feet	<u>(596)</u>	
12	Total CAP water (acre feet)	6,642	
13	2008 delivery cost per acre foot	\$ 92	
14	Total M&I Cost		<u>\$ 611,106</u>
15			
16	Total CAP purchased water		\$ 777,920
17			
18	Ground Water pumped 2006 in acre feet	260	
19	Excess Capacity percentage	<u>67%</u>	
20	Total projected gallons pumped		174
21	Central Arizona Ground Water Replenishment District Assessment Fee per acre foot	\$ 250	
22			<u>43,550</u>
23			
24	Total Purchased Water Cost		\$ 821,470
25	Rebuttal Purchased Water Cost		831,656
26	Increase (decrease)		<u>\$ (10,186)</u>
27			
28			
29	Adjustment to Revenue and/or Expense		<u>\$ (10,186)</u>
30			
31			
32			

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Rebuttal Schedule C-2
Page 10
Witness: Bourassa

Line

No.

1	<u>Annualize power cost for additonal gallons from annualization of revenues</u>	
2		
3		
4	Gallons sold in Test Year (1,000's)	2,084,339
5	Cost per 1,000 gallons per Direct Filing	0.32514
6	Additonal gallons from annualization (in 1,000's) in adjustment 6	(194,058)
7		
8	Rebuttal Purchased Power adjustment	\$ (63,095)
9		
10	Direct Purchased Power Adjustment	\$ (74,714)
11		
12	Adjustment to Revenue and/or Expense	<u>\$ 11,619</u>
13		
14		
15		
16		
17	<u>SUPPORTING SCHEDULES</u>	
18	Rebuttal H-1	
19	Direct C-2, page 11	
20		
21		

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Rebuttal Schedule C-2
Page 11
Witness: Bourassa

Line			
No.			
1	Miscellaneous Expense		
2			
3			
4	GO Allocation Expense Pool Per Direct Filing	\$ 34,557,114	
5	Adjustments:		
6	Membership dues for California	(251,538)	
7	Investor related expenses	(1,040,585)	
8	Adjusted GO Allocation Expense Pool per Rebuttal	\$ 33,264,991	
9			
10	Allocation factor	4.00%	
11			
12	Revised allocation of GO expenses	\$ 1,330,600	
13			
14	Allocated GO expenses per Direct filing	\$ 1,292,436	
15			
16	Increase (decrease) in Miscellaneous Expense	\$ 38,164	
17			
18			
19			
20			
21	Adjustment to Revenue and/or Expense	\$ 38,164	
22			
23			
24			
25			

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Rebuttal Schedule C-2
Page 12
Witness: Bourassa

Line
No.

1	<u>Interest Synchronization</u>		
2			
3	Fari Value Rate Base	\$	27,767,249
4	Weighted cost of debt (from D-1) (short and long-term)		1.194%
5	Interest Expense per Rebuttal Filing	\$	331,609
6	Interest Expense per Direct Filing		<u>368,024</u>
7			
8	Increase (decrease) in Interest Expense		<u>(36,416)</u>
9			
10	Adjustment to Revenues and/or Expense		<u><u>36,416</u></u>
11			
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Chaparral City Water Company
Test Year Ended December 31, 2006
Computation of Gross Revenue Conversion Factor

Exhibit
Rebuttal Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	31.63%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	38.60%
9		
10	Operating Income % = 100% - Tax Percentage	61.40%
11		
12		
13		
14		
15	<u>1</u> = Gross Revenue Conversion Factor	
16	Operating Income %	1.6286
17		
18	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
19		A-1
20		

Chaparral City Water Company
Test Year Ended December 31, 2006
Summary of Cost of Capital

Exhibit
Rebuttal Schedule D-1
Page 1
Witness: Bourassa

Line No.	Item of Capital	End of Test Year				End of Projected Year			
		Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Short-Term Debt ¹	\$ 1,400,000	3.97%	3.98%	0.16%	\$ 1,400,000	3.89%	3.98%	0.15%
2									
3	Long-Term Debt	\$ 6,865,000	19.45%	5.33%	1.04%	\$ 6,585,000	18.28%	5.36%	0.98%
4									
5	Stockholder's Equity	\$ 27,028,873	76.58%	11.50%	8.81%	\$ 29,437,573	81.72%	11.50%	9.40%
6									
7	Totals	\$ 35,293,873	100.00%		10.00%	\$ 36,022,573	100.00%		10.38%
8									
9									
10	Rebuttal Adjustments to Equity								
11	Capitalized Expenses	\$ 32,536							
12	Accumulated Depreciation	\$ (2,875)							
13	A/D for Capitalize Expenses	\$ (3,265)							
14									
15									
16									
17									
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19									
20									
21									
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¹Current one year LIBOR rate (12 month LIBOR as reported on Oct 16, 2008 by www.economagic.com)

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

Exhibit
Rebuttal Schedule D-2
Page 1
Witness: Bourassa

[illegible]

Chaparral City Water Company
Test Year Ended December 31, 2006
Cost of Preferred Stock

Exhibit
Rebuttal Schedule D-3
Page 1
Witness: Bourassa

Line No.	Description of Issue	<u>End of Test Year</u>			<u>End of Projected Year</u>		
		<u>Shares Outstanding</u>	<u>Amount</u>	<u>Dividend Requirement</u>	<u>Shares Outstanding</u>	<u>Amount</u>	<u>Dividend Requirement</u>
1							
2							
3	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17	<u>SUPPORTING SCHEDULES:</u>				<u>RECAP SCHEDULES:</u>		
18	E-1				Rebuttal D-1		
19							
20							

Chaparral City Water Company
Test Year Ended December 31, 2006
Cost of Common Equity

Exhibit
Rebuttal Schedule D-4
Page 1
Witness: Bourassa

Line
No.

1
2 The Company is proposing a cost of common equity of 11.5%.

3
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SUPPORTING SCHEDULES:

RECAP SCHEDULES:
Rebuttal D-1

Chaparral City Water Company
Summary of Results

Exhibit
Rebuttal Schedule D-4.0
Witness: Bourassa

Line No.	Method	Low	High	Midpoint
1	DCF Constant Growth	11.1%	14.4%	12.7%
2	DCF Sustainable Growth	9.0%	11.4%	10.2%
3	DCF Two-Stage	10.6%	12.7%	11.6%
4				
5	Average DCF Results	10.2%	12.8%	11.5%
6				
7	CAPM	10.7%	18.3%	14.5%
8				
9	Average DCF and CAPM Results	10.5%	15.6%	13.0%
10				
11				
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**Chaparral City Water Company
Selected Characteristics of Water Utilities**

Exhibit
Rebuttal Schedule D-4.1
Witness: Bourassa

Line No.	Company	% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating
1	1. American States	82%	\$ 299.1	\$ 701.8	A	A2
2	2. Aqua America	87%	\$ 604.6	\$ 2,466.5	AA-	NR
3	3. California Water	97%	\$ 387.2	\$ 929.5	NR	NR
4	4. Connecticut Water	85%	\$ 61.3	\$ 239.2	AAA	NR
5	5. Middlesex	90%	\$ 88.0	\$ 302.3	A	NR
6	6. SJW Corp.	95%	\$ 208.8	\$ 546.0	NR	NR
10	Average	89%	\$ 274.8	\$ 864.2		
13	Chaparral City Water Company	100%	\$ 7.8	\$ 33.7	NR	NR

Source: AUS Utility Reports (September 2008)

Chaparral City Water Company
Capital Structures of Water Utilities

Exhibit
Rebuttal Schedule D-4.2
Witness: Bourassa

No.	Company	Book Value		Market Value	
		Long-Term Debt	Common Equity	Long-Term Debt	Common Equity
1	1. American States	46.5%	53.5%	28.4%	71.6%
2	2. Aqua America	55.4%	44.6%	34.2%	65.8%
3	3. California Water	43.1%	56.9%	26.9%	73.1%
4	4. Connecticut Water	48.0%	52.0%	29.8%	70.2%
5	5. Middlesex	49.7%	50.3%	36.0%	64.0%
6	6. SJW Corp.	47.7%	52.3%	28.6%	71.4%
7					
8					
9					
10					
11	Average	48.4%	51.6%	30.6%	69.4%
12					
13	Chaparral City Water Company			N/A	N/A
14					
15					

Sources:

Value Line Analyzer Data (September 2008)

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Chaparral City Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Rebuttal Schedule D-4.3
Page 1
Witness: Bourassa

Line No.	Company	Five-year historical compound annual changes				Average Future Growth ¹
		Price	Value	DPS	EPS	
1	1. American States	13.68%	4.53%	1.99%	6.53%	8.25%
2	2. Aqua America	13.72%	9.84%	8.45%	5.63%	8.38%
3	3. California Water	12.76%	7.11%	0.70%	3.71%	8.23%
4	4. Connecticut Water	1.91%	3.50%	1.51%	Negative	8.97%
5	5. Middlesex	6.86%	6.34%	1.93%	3.57%	8.00%
6	6. SJW Corp.	24.69%	8.96%	7.24%	5.92%	12.00%
7						
8						
9						
10						
11						
12						
13						
14						
15	GROUP AVERAGE	12.27%	6.71%	3.64%	5.07%	8.97%
16	GROUP MEDIAN	13.22%	6.73%	1.96%	5.63%	8.31%
17						

¹ See Rebuttal Schedule D-4.5

Sources:

Value Line Data
Yahoo Finance

Chaparral City Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Rebuttal Schedule D-4.4
Page 1
Witness: Bourassa

Line
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Company	Ten-year historical compound annual changes				Average Future Growth ¹
	Price	Book Value	DPS	EPS	
1. American States	12.35%	4.54%	1.47%	4.53%	8.25%
2. Aqua America	13.87%	9.39%	7.18%	7.64%	8.38%
3. California Water	6.33%	3.59%	0.91%	Negative	8.23%
4. Connecticut Water	8.84%	3.76%	1.26%	1.08%	8.97%
5. Middlesex	9.88%	3.98%	1.98%	2.65%	8.00%
6. SJW Corp.	16.43%	4.85%	5.13%	2.66%	12.00%
GROUP AVERAGE	11.28%	5.02%	2.99%	3.71%	8.97%
GROUP MEDIAN	11.12%	4.26%	1.72%	2.66%	8.31%

1 See Rebuttal Schedule D-4.5

Sources:

Value Line Data
Yahoo Finance

Chaparral City Water Company
 Analysts Forecasts of Earnings Per Share Growth

Exhibit
 Rebuttal Schedule D-4.5
 Witness: Bourassa

Line No.	(1)	(2)	(3)	(4)
	EPS GROWTH			Average Growth (G) (Cols 1-3)
	Zacks	Morningstar	Yahoo	Value Line
1. American States	12.00%	7.00%	4.00%	10.00%
2. Aqua America	9.00%	7.50%	8.00%	9.00%
3. California Water	9.00%	7.70%	7.70%	8.50%
4. Connecticut Water				
5. Middlesex	8.00%	18.00%	8.00%	8.00%
6. SJW Corp.	10.00%		10.00%	10.00%
GROUP AVERAGE	9.60%	10.05%	7.54%	9.10%
GROUP MEDIAN				8.97%
				8.31%

Sources:

Value Line Investment Analyzer Data September 2008
 Zacks Investment Research Site October 10, 2008
 Morningstar Website October 16, 2008
 Yahoo Finance October 20, 2008

Chaparral City Water Company
Estimates of Sustainable Growth

Exhibit
Rebuttal Schedule D-4.6
Witness: Bourassa

Line No.	(1)	(2)	(3)	(4)	(5)
	Retention Ratio	Rate of Return	br Growth	sv Growth	Average Sustainable Growth (Cols 3+4)
1. American States	0.52	13.50%	7.02%	1.10%	8.12%
2. Aqua America	0.43	12.00%	5.20%	0.60%	5.80%
3. California Water	0.49	11.00%	5.34%	2.51%	7.84%
4. Connecticut Water					
5. Middlesex					
6. SJW Corp.					
GROUP AVERAGE	0.48	12.17%	5.85%	1.40%	7.26%
GROUP MEDIAN	0.49	12.00%	5.34%	1.10%	7.84%
Sources:					
Value Line Data					

Chaparral City Water Company
Estimates of sv Growth

Exhibit
Rebuttal Schedule D-4.7
Witness: Bourassa

Line No.	(1)	(2)	(3)	(4)
	Stock Financing Rate	Current Market to Book Ratio	y	sv Growth
1. American States	2.03%	2.19	0.54	1.10%
2. Aqua America	1.03%	2.39	0.58	0.60%
3. California Water	4.87%	2.06	0.51	2.51%
4. Connecticut Water				na
5. Middlesex				na
6. SJW Corp.				na
GROUP AVERAGE	2.65%	2.21	0.55	1.40%
GROUP MEDIAN	2.03%	2.19	0.54	1.10%
Sources:				
Value Line Data				

Chaparral City Water Company
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model
Using Projected EPS Growth

Exhibit
Rebuttal Schedule D-4.8
Witness: Bourassa

Line No.	(1)	(2)	(3)	(4)	(5)
	Company	Spot Price (Po)	Next Year's Div (D1)	Dividend Yield	Indicated Cost of Equity k=Div Yld + g (Cols 3+4)
1	1. American States	38.48	1.08	2.81%	11.1%
2	2. Aqua America	17.55	0.56	3.19%	11.6%
3	3. California Water	37.87	1.18	3.12%	11.3%
4	4. Connecticut Water	25.81	0.90	3.49%	12.5%
5	5. Middlesex	17.18	0.72	4.19%	12.2%
6	6. SJW Corp.	29.52	0.70	2.39%	14.4%
7					
8					
9					
10					
11					
12					
13					
14					
15	GROUP AVERAGE			3.20%	12.2%
16	GROUP MEDIAN				11.9%
17					
18					
19					
20					
21					
22					
23					

¹ See Schedules D-4.5

Sources:

Value Line Investment Analyzer Data September 2008
Yahoo Finance October 2, 2008

Chaparral City Water Company
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model - Sustainable Growth

Exhibit
Schedule D-4.9
Witness: Bourassa

Line No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Company	Spot Price (Po)	Next Year's Div (D1)	Dividend Yield	Sustainable Growth ¹	br+sv Growth (g)	Indicated Cost of Equity k=Div Yld + g (Cols 3+6)
1	1. American States	38.48	1.08	2.81%	br 7.02%	8.12%	10.9%
2	2. Aqua America	17.55	0.56	3.19%	vs 1.10%	5.80%	9.0%
3	3. California Water	37.87	1.18	3.12%	0.60%	7.84%	11.0%
4	4. Connecticut Water	25.81	0.90	3.49%	2.51%	7.26%	10.7%
5	5. Middlesex	17.18	0.72	4.19%		7.26%	11.4%
6	6. SJW Corp.	29.52	0.70	2.39%		7.26%	9.6%
15	GROUP AVERAGE			3.20%		7.26%	10.5%
16	GROUP MEDIAN						10.8%

1 See Rebuttal Schedule D-4.6 and D-4.7

Sources:

Value Line Investment Analyzer Data September 2008
Yahoo Finance October 2, 2008

Chaparral City Water Company
Discounted Cash Flow Analysis (Water)
Two-Stage Growth - Projected

Exhibit
Rebuttal Schedule D-4.10
Witness: Bourassa

Line No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Spot Price(Po)	Next Year's Div (D1)	Yield (D1/Po)	Near Term ¹	Projected Growth Rates Long Term (GDP)	Average ¹	Indicated Cost of Equity
1. American States	38.48	1.08	2.81%	8.25%	6.80%	7.77%	10.6%
2. Aqua America	17.55	0.56	3.19%	8.38%	6.80%	7.86%	11.0%
3. California Water	37.87	1.18	3.12%	8.23%	6.80%	7.75%	10.9%
4. Connecticut Water	25.81	0.90	3.49%	8.97%	6.80%	8.25%	11.7%
5. Middlesex	17.18	0.72	4.19%	8.00%	6.80%	7.60%	11.8%
6. SJW Corp.	29.52	0.70	2.39%	12.00%	6.80%	10.28%	12.7%
GROUP AVERAGE			3.20%			8.25%	11.5%
GROUP MEDIAN							11.4%

¹ See Rebuttal Schedule D-4.5

² Near term growth given weighting of .67

Chaparral City Water Company
Market Betas

Exhibit
Rebuttal Schedule D-4.11
Witness: Bourassa

Line No.	Company	
1	American States	0.95
2	Aqua America	1.00
3	California Water	1.10
4	Connecticut Water	0.80
5	Middlesex	0.90
6	SJW Corp.	1.15
8	Average	0.98
9		
10	Source:	
11	Value Line Investment Analyzer Data September 2008	
12		
13		
14		
15		
16		

Exhibit
Rebuttal Schedule D-4.12
Witness: Bourassa

[illegible]

Chaparral City Water Company
Test Year Ended December 31, 2006
Capital Asset Pricing Model (CAPM)

Exhibit
Rebuttal Schedule D-4.13
Witness: Bourassa

Line No.	Rf	+	beta ³	x	Rp	=	k
1							
2							
3	3.4%	+	0.98	x	7.5% ⁴	=	10.7%
4							
5	4.3%	+	0.98	x	14.4% ⁵	=	18.3%
6							
7							
8							14.5%
9							
10							
11							
12	¹ Federal Reserve October 16, 2008 average of 5, 7 and 10 year Treasury rates (Rf)						
13	² Federal Reserve October 16, 2008 30 year Treasury rate (Rf)						
14	³ Value Line Investment Analyzer data. See Schedule D-4.11						
15	⁴ Historical Market Risk Premium from (Rp) MorningStar SBBI 2008 Yearbook Table A-2 Intermediate-Horizon ERP 1926-2007						
16	⁵ Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks						
17	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Rebuttal Schedule D-4.12.						
18							
19							
20							

Chaparral City Water Company
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	3/4 Inch	Residential	\$ 3,455,850	\$ 4,655,740	\$ 1,199,890	34.72%	45.08%	42.24%
2	1 Inch	Residential	2,342,394	3,150,272	807,877	34.49%	30.56%	28.58%
3	1.5 Inch	Residential	31,414	42,256	10,842	34.51%	0.41%	0.38%
4	2 Inch	Residential	123,686	166,173	42,487	34.35%	1.61%	1.51%
5	3 Inch	Residential	10,012	13,436	3,424	34.19%	0.13%	0.12%
6								
7		Subtotal	5,963,356	8,027,876	2,064,520	34.62%	77.79%	72.84%
8								
9	3/4 Inch	Commercial	\$ 67,867	\$ 91,337	23,471	34.58%	0.89%	0.83%
10	1 Inch	Commercial	98,616	132,660	34,044	34.52%	1.29%	1.20%
11	1.5 Inch	Commercial	140,840	189,480	48,639	34.54%	1.84%	1.72%
12	2 Inch	Commercial	222,208	298,523	76,315	34.34%	2.90%	2.71%
13	3 Inch	Commercial	14,217	19,056	4,839	34.04%	0.19%	0.17%
14	4 Inch	Commercial	34,290	46,128	11,838	34.52%	0.45%	0.42%
15								
16		Subtotal	\$ 578,038	\$ 777,183	\$ 199,146	34.45%	7.54%	7.05%
17								
18	3/4 Inch	Industrial	\$ 304	\$ 410	\$ 106	34.78%	0.00%	0.00%
19	1 Inch	Industrial	272	366	94	34.36%	0.00%	0.00%
20	1.5 Inch	Industrial	328	441	113		0.00%	0.00%
21								
22		Subtotal	\$ 904	\$ 1,216	312	34.53%	0.01%	0.01%
23								
24	3/4 Inch	Irrigation	\$ 69,200	\$ 130,820	61,620	89.05%	0.90%	1.19%
25	1 Inch	Irrigation	178,745	350,299	171,554	95.98%	2.33%	3.18%
26	1.5 Inch	Irrigation	134,012	260,613	126,602		1.75%	2.36%
27	2 Inch	Irrigation	161,987	314,013	152,026	93.85%	2.11%	2.85%
28	4 Inch	Irrigation	152,769	322,747	169,977	111.26%	1.99%	2.93%
29	6 Inch	Irrigation	322,475	687,598	365,123	113.23%	4.21%	6.24%
30								
31		Subtotal	1,019,188	2,066,090	1,046,902	102.72%	13.30%	18.75%
32								
33	3/4 Inch	Construction	\$ 181	\$ 259	77	42.77%	0.00%	0.00%
34	1 Inch	Construction	1,357	2,328	971	71.57%	0.02%	0.02%
35	2 Inch	Construction	646	1,099	\$ 453	70.11%	0.01%	0.01%
36	3 Inch	Construction	18,826	35,555				
37	4 Inch	Construction	2,247	3,753	\$ 1,507	67.07%	0.03%	0.03%
38								
39		Subtotal	\$ 23,256	\$ 42,993	\$ 19,737	84.87%	0.30%	0.39%
40								
41	3 Inch	Fire Hydrant Meter (Irrigation)	\$ 65,878	\$ 88,263	22,385	33.98%	0.86%	0.80%
42	4 Inch	Fire Hydrant Meter (Irrigation)	9,178	12,350	3,173	34.57%	0.12%	0.11%
43								
44		Subtotal	\$ 75,055	\$ 100,613	25,558	34.05%	0.98%	0.91%
45								
46	3/4 inch	Fire Sprinkler	\$ 5,164	\$ 5,165	1	0.03%	0.07%	0.05%
47	1 Inch	Fire Sprinkler	244	245	1	0.54%	0.00%	0.00%
48	1.5 Inch	Fire Sprinkler	363	363	1	0.24%	0.00%	0.00%
49								
50		Subtotal	\$ 5,770	\$ 5,774	3	0.06%	0.08%	0.05%
51								
51	Total Revenues Before Annualization		\$ 7,665,568	\$ 11,021,746	\$ 3,356,178	43.78%	100.00%	100.00%
52								

Exhibit
Rebuttal Schedule H-1
Page 2
Witness: Bourassa

Line No.			Revenue Annualization					Additional Gallons to be Pumped (In 1,000's)	Schedule Number
	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills to be Sold		
1									
2									
3									
4									
5	3/4 Inch	Residential	\$ 2,317	\$ 3,122	805	34.74%	61	639	C-2, P7.1
6	1 Inch	Residential	65,260	87,764	22,504	34.48%	1,415	13,151	C-2, P7.2
7	1.5 Inch	Residential	860	1,157	297	34.51%	7	215	C-2, P7.3
8	2 Inch	Residential	253	340	87	34.34%	1	72	C-2, P7.4
9	3 Inch	Residential	1,790	2,403	613	34.23%	5	421	C-2, P7.5
10									
11		Subtotal	\$ 70,480	\$ 94,786	24,306	34.49%	1,489	14,497	
12									
13	3/4 Inch	Commercial	\$ (50)	\$ (68)	(17)	0.00%	(1)	(14)	C-2, P7.6
14	1 Inch	Commercial	2,647	3,561	914	34.52%	38	704	C-2, P7.7
15	1.5 Inch	Commercial	1,934	2,602	668	34.54%	12	551	C-2, P7.8
16	2 Inch	Commercial	(778)	(1,046)	(267)	0.00%	(3)	(222)	C-2, P7.9
17	3 Inch	Commercial	(206)	(276)	(70)	0.00%	(1)	(24)	C-2, P7.10
18	4 Inch	Commercial	-	-	-	0.00%	-	-	
19									
20		Subtotal	\$ 3,547	\$ 4,774	49,839	1405.30%	45	996	
21									
22	3/4 Inch	Industrial	\$ -	\$ -	-	0.00%	-	-	
23	1 Inch	Industrial	-	-	-	0.00%	-	-	
24	1.5 Inch	Industrial	-	-	-	0.00%	-	-	
25									
26		Subtotal	\$ -	\$ -	-	0.00%	-	-	
27									
28	3/4 Inch	Irrigation	\$ 792	\$ 1,484	693	87.53%	21	324	C-2, P7.11
29	1 Inch	Irrigation	6,585	12,847	6,262	95.10%	78	3,086	C-2, P7.12
30	1.5 Inch	Irrigation	1,901	3,681	1,780	93.63%	12	869	C-2, P7.13
31	2 Inch	Irrigation	-	-	-	0.00%	-	-	
32	4 Inch	Irrigation	(101,269)	(220,273)	(119,004)	0.00%	(2)	(64,916)	C-2, P7.14a&b
33	6 Inch	Irrigation	(232,932)	(506,290)	(273,357)	0.00%	-	(148,914)	C-2, P7.15a&b
34									
35		Subtotal	\$ (324,924)	\$ (708,551)	(383,627)	118.07%	109	(209,550)	
36									
37	3/4 Inch	Construction	\$ -	\$ -	-	0.00%	-	-	
38	1 Inch	Construction	-	-	-	0.00%	-	-	
39	2 Inch	Construction	-	-	-	0.00%	-	-	
40	3 Inch	Construction	-	-	-	0.00%	-	-	
41	4 Inch	Construction	-	-	-	0.00%	-	-	
42									
43		Subtotal	\$ -	\$ -	-	0.00%	-	-	
44									
45	3 Inch	Fire Hydrant Meter (Irrigation)	\$ -	\$ -	-	0.00%	-	-	
46	4 Inch	Fire Hydrant Meter (Irrigation)	-	-	-	0.00%	-	-	
47									
48		Subtotal	\$ -	\$ -	-	0.00%	-	-	
49									
50	34 inch	Fire Sprinkler	\$ -	\$ -	-	0.00%	-	-	
51	1 Inch	Fire Sprinkler	-	-	-	0.00%	-	-	
52	1.5 Inch	Fire Sprinkler	-	-	-	0.00%	-	-	
53									
54		Subtotal	\$ -	\$ -	-	0.00%	-	-	
55									
56	Total Revenue Annualization		\$ (250,897)	\$ (608,991)	\$ (309,482)	0.00%	1,643	(194,058)	
57									

Chaparral City Water Company
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 3
Witness: Bourassa

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1							
2							
3	Subtotal Metered Revenues	\$ 7,665,568	\$ 11,021,746	\$ 3,356,178	43.78%	100.00%	100.00%
4	Subtotal Revenue Annualization	(250,897)	(608,991)	(358,094.01)	142.73%	-3.27%	-5.53%
5	Total Metered Revenues	\$ 7,414,671	\$ 10,412,755	\$ 2,998,084	40.43%		
6							
7	Misc. Revenues	\$ 82,289	\$ 82,289	-	0.00%	1.07%	0.75%
8	Reconciling Amount to GL	8,050	923	(7,127)			
9	Total Water Revenues	\$ 7,505,010	\$ 10,495,967	\$ 2,990,957	39.85%	0.00%	0.00%
10							
11							
12	<u>Revenue Reconciliation</u>						
13							
14	Revenue per bill count before revenue annualization	\$ 7,665,568					
15	Revenue per GL (metered water revenues)		7,673,618				
16	Difference		(8,050)				
17	Difference %		-0.10%				
18	Tolerance %		0.50%				
19	Tolerance Amount + or -	\$ 38,368					
20							
21	Acceptable?		YES				
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
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50							

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Bourassa

		(a) Average Number of Customers at 12/31/2006		Average Consumption	Average Bill Present Rates Proposed Rates		Proposed Increase Dollar Amount Percent Amount	
Line No.	Meter Size, Class							
1	3/4 Inch Residential	8,368	8,450	\$	32.38	\$	43.63	11.26 34.77%
2	1 Inch Residential	4,000	10,095		48.14		64.74	16.60 34.49%
3	1.5 Inch Residential	21	29,821		120.55		162.15	41.60 34.51%
4	2 Inch Residential	39	72,924		256.77		344.96	88.19 34.35%
5	3 Inch Residential	3	70,226		322.97		433.41	110.44 34.19%
6	Subtotal	12,431						
7								
8	3/4 Inch Commercial	115	12,528	\$	46.97	\$	63.22	16.25 34.59%
9	1 Inch Commercial	114	17,907		67.83		91.24	23.41 34.52%
10	1.5 Inch Commercial	66	47,736		165.69		222.92	57.23 34.54%
11	2 Inch Commercial	71	68,389		245.34		329.58	84.24 34.33%
12	3 Inch Commercial	5	34,550		233.06		312.39	79.33 34.04%
13	4 Inch Commercial	4	186,146		696.09		936.41	240.32 34.52%
14	Subtotal	375						
15								
16	3/4 Inch Industrial	1	5,375	\$	24.63	\$	33.20	8.57 34.82%
17	1 Inch Industrial	1	-	\$	22.70	\$	30.50	7.80 34.36%
18	1.5 Inch Industrial	0	8,000	\$	65.56	\$	88.14	22.58 34.44%
19	Subtotal	2						
20								
21	3/4 Inch Irrigation	145	16,732	\$	39.70	\$	75.05	35.35 89.05%
22	1 Inch Irrigation	170	41,781	\$	87.88	\$	172.22	84.34 95.98%
23	1.5 Inch Irrigation	68	76,173	\$	164.23	\$	319.38	155.15 94.47%
24	2 Inch Irrigation	52	119,346	\$	259.18	\$	502.42	243.24 93.85%
25	4 Inch Irrigation	4	1,813,070	\$	3,055.39	\$	6,454.93	3,399.54 111.26%
26	6 Inch Irrigation	3	5,451,042	\$	8,957.63	\$	19,099.93	10,142.31 113.23%
27	Subtotal	442						
28								
29	3/4 Inch Construction	1	959	\$	15.10	\$	21.55	6.46 42.77%
30	1 Inch Construction	3	11,803	\$	41.11	\$	70.54	29.42 71.57%
31	2 Inch Construction	0	36,000	\$	129.16	\$	219.71	90.55 70.11%
32	3 Inch Construction	4	180,682	\$	427.86	\$	808.07	380.21 88.86%
33	4 Inch Construction	1	94,500	\$	374.42	\$	625.54	251.12 67.07%
34	Subtotal	8						
35								
36	3 Inch Fire Hydrant Meter (Irrigation)	26	26,121	\$	211.82	\$	283.80	71.98 33.98%
37	4 Inch Fire Hydrant Meter (Irrigation)	1	516,917	\$	1,529.63	\$	2,058.38	528.75 34.57%
38	Subtotal	26						
39								
40	34 inch Fire Sprinkler	43	3	\$	10.01	\$	10.01	0.00 0.03%
41	1 Inch Fire Sprinkler	2	63	\$	10.16	\$	10.21	0.05 0.54%
42	1.5 Inch Fire Sprinkler	3	28	\$	10.07	\$	10.09	0.02 0.24%
43	Subtotal	48						
44								
45								
46	Total	13,333						
47	(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.							

Chaparral City Water Company
Test Year Ended December 31, 2006
Customer Summary

Exhibit
Rebuttal Schedule H-2
Page 2
Witness: Bourassa

(a) Average Number of Customers at 12/31/2006								
Line No.	Meter Size, Class	Median Consumption	Median Bill		Proposed Increase			
			Present Rates	Proposed Rates	Dollar Amount	Percent Amount		
1	3/4 Inch Residential	8,368	5,500	\$ 24.94	\$ 33.62	8.68	34.82%	
2	1 Inch Residential	4,000	7,500	41.60	55.94	14.34	34.47%	
3	1.5 Inch Residential	21	21,500	99.58	133.93	34.35	34.49%	
4	2 Inch Residential	39	51,500	202.78	272.29	69.51	34.28%	
5	3 Inch Residential	3	83,000	355.16	476.74	121.58	34.23%	
6	Subtotal	12,431						
7								
8	3/4 Inch Commercial	115	4,501	\$ 24.94	\$ 33.57	8.62	34.58%	
9	1 Inch Commercial	114	5,500	36.56	49.16	12.60	34.45%	
10	1.5 Inch Commercial	66	13,500	79.42	106.79	27.37	34.46%	
11	2 Inch Commercial	71	21,500	127.18	170.53	43.35	34.08%	
12	3 Inch Commercial	5	12,500	177.50	237.60	60.10	33.86%	
13	4 Inch Commercial	4	79,500	427.34	574.66	147.32	34.47%	
14	Subtotal	375						
15								
16	3/4 Inch Industrial	1	3,500	\$ 19.90	\$ 26.84	6.94	34.87%	
17	1 Inch Industrial	1	-	\$ 22.70	\$ 30.50	7.80	34.36%	
18	1.5 Inch Industrial	0	-	\$ 45.40	\$ 61.00	15.60	34.36%	
19	Subtotal	2						
20								
21	3/4 Inch Irrigation	145	8,500	\$ 26.86	\$ 47.13	20.27	75.47%	
22	1 Inch Irrigation	170	15,500	\$ 46.88	\$ 83.08	36.20	77.21%	
23	1.5 Inch Irrigation	68	24,500	\$ 83.62	\$ 144.10	60.48	72.33%	
24	2 Inch Irrigation	52	63,000	\$ 171.28	\$ 311.30	140.02	81.75%	
25	4 Inch Irrigation	4	157,000	\$ 471.92	\$ 837.54	365.62	77.48%	
26	6 Inch Irrigation	3	1,312,000	\$ 2,500.72	\$ 5,060.30	2,559.58	102.35%	
27	Subtotal	442						
28								
29	3/4 Inch Construction	1	-	\$ 13.60	\$ 18.30	4.70	34.56%	
30	1 Inch Construction	3	11,500	\$ 40.64	\$ 69.51	28.87	71.03%	
31	2 Inch Construction	0	59,000	\$ 165.04	\$ 297.73	132.69	80.40%	
32	3 Inch Construction	4	19,500	\$ 176.42	\$ 261.34	84.92	48.14%	
33	4 Inch Construction	1	106,000	\$ 392.36	\$ 664.55	272.19	69.37%	
34	Subtotal	8						
35								
36	3 Inch Fire Hydrant Meter (Irrigation)	26	9,500	\$ 169.94	\$ 227.42	57.48	33.83%	
37	4 Inch Fire Hydrant Meter (Irrigation)	1	561,500	\$ 1,641.98	\$ 2,209.61	567.63	34.57%	
38	Subtotal	26						
39								
40	34 inch Fire Sprinkler	43	-	\$ 10.00	\$ 10.00	-	0.00%	
41	1 Inch Fire Sprinkler	2	-	\$ 10.00	\$ 10.00	-	0.00%	
42	1.5 Inch Fire Sprinkler	3	-	\$ 10.00	\$ 10.00	-	0.00%	
43	Subtotal	48						
44								
45								
46	Total	13,333						
47	(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.							

47 (a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Chaparral City Water Company
Test Year Ended December 31, 2006
Present and Proposed Rates

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Bourassa

Line No.	Monthly Usage Charge for: Meter Size (All Zones and Classes):	Present Rates	Proposed Rates	Percent Change	
				Change	Change
1	3/4 Inch	\$ 13.60	\$ 18.30	\$ 4.70	34.56%
2	1 Inch	22.70	30.50	7.80	34.36%
3	1 1/2 Inch	45.40	61.00	15.60	34.36%
4	2 Inch	73.00	97.60	24.60	33.70%
5	3 Inch	146.00	195.20	49.20	33.70%
6	4 Inch	227.00	305.00	78.00	34.36%
7	6 Inch	454.00	610.00	156.00	34.36%
8	8 Inch	730.00	1,128.50	398.50	54.59%
9	10 Inch	1,043.00	1,586.00	543.00	52.06%
10	12 Inch	1,980.00	2,806.00	826.00	41.72%
11					
12					
13					
14	Fire Hydrants Basic Service	\$ -	\$ -	-	0.00%
15					
16	Fire Hydrants Used for Irrigation	\$ 146.00	\$ 196.50	50.50	34.59%
17					
18	Monthly Service Charge for Fire Sprinkler				
19	4 Inch or smaller	\$ 10.00	10.00	-	0.00%
20	6 Inch	10.00	10.00	-	0.00%
21	8 Inch	10.00	10.00	-	0.00%
22	10 Inch	10.00	10.00	-	0.00%
23	Larger than 10 Inch	10.00	10.00	-	0.00%
24					
25					
26	Gallons In Minimum (All Zones and Classes)				
27					
28					
29	Commodity Rates				
30	(Residential, Commercial, Industrial)				
31					
32	3/4 Inch Meter Residential	\$ 1.68	\$ 2.281	\$ 0.60	35.77%
33		\$ 2.52	\$ 3.392	\$ 0.87	34.60%
34		\$ 3.03	\$ 4.078	\$ 1.05	34.59%

(Per 1,000 gallons)

Block

0 gallons to 3,000 gallons
3,001 gallons to 9,000 gallons
over 9,000 gallons

Diablo Village Water Company
Test Year Ended December 31, 2006
Present and Proposed Rates

Exhibit
Rebuttal Rebuttal Schedule H-3
Page 2
Witness: Bourassa

Line No.	Commodity Rates (Residential, Commercial, Industrial)	Block	(Per 1,000 gallons)			Percent Change
			Present Rate	Proposed Rate	Change	
1						
2						
3						
4						
5	3/4 Inch Meter Commercial and Industrial	0 gallons to 9000 gallons	\$ 2.52	\$ 3.392	\$ 0.872	34.60%
6		over 9,000 gallons	\$ 3.03	\$ 4.078	\$ 1.048	34.59%
7	1 Inch Meter	0 gallons to 24,000 gallons	\$ 2.52	\$ 3.392	\$ 0.872	34.60%
8		over 24,000 gallons	\$ 3.03	\$ 4.078	\$ 1.048	34.59%
9	1.5 Inch Meter	0 gallons to 60,000 gallons	\$ 2.52	\$ 3.392	\$ 0.872	34.60%
10		over 60,000 gallons	\$ 3.03	\$ 4.078	\$ 1.048	34.59%
11	2 Inch Meter	0 gallons to 100,000 gallons	\$ 2.52	\$ 3.392	\$ 0.872	34.60%
12		over 100,000 gallons	\$ 3.03	\$ 4.078	\$ 1.048	34.59%
13	3 Inch Meter	0 gallons to 225,000 gallons	\$ 2.52	\$ 3.392	\$ 0.872	34.60%
14		over 225,000 gallons	\$ 3.03	\$ 4.078	\$ 1.048	34.59%
15	4 Inch Meter	0 gallons to 350,000 gallons	\$ 2.52	\$ 3.392	\$ 0.872	34.60%
16		over 350,000 gallons	\$ 3.03	\$ 4.078	\$ 1.048	34.59%
17	6 Inch Meter	0 gallons to 725,000 gallons	\$ 2.52	\$ 3.392	\$ 0.872	34.60%
18		over 725,000 gallons	\$ 3.03	\$ 4.078	\$ 1.048	34.59%
19	8 Inch Meter	0 gallons to 1,125,000 gallons	\$ 2.52	\$ 3.392	\$ 0.872	34.60%
20		over 1,125,000 gallons	\$ 3.03	\$ 4.078	\$ 1.048	34.59%
21	10 Inch Meter	0 gallons to 1,500,000 gallons	\$ 2.52	\$ 3.392	\$ 0.872	34.60%
22		over 1,500,000 gallons	\$ 3.03	\$ 4.078	\$ 1.048	34.59%
23	12 Inch Meter	0 gallons to 2,250,000 gallons	\$ 2.52	\$ 3.392	\$ 0.872	34.60%
24		over 2,250,000 gallons	\$ 3.03	\$ 4.078	\$ 1.048	34.59%
25						
26	Irrigation/Bulk	All gallons	\$ 1.56	\$ 3.392	\$ 1.832	117.44%
27						
28	Fire Hydrant Irrig./Construction	All gallons	\$ 1.56	\$ 3.392	\$ 1.832	117.44%
29						
30	Standpipe (Fire Hydrants)	All gallons	\$ 2.52	\$ 3.392	\$ 0.872	34.60%
31						
32	Fire Sprinklers	All gallons	\$ 2.52	\$ 3.392	\$ 0.872	34.60%
33						

Chaparral City Water Company
Changes in Representative Rate Schedules
Test Year Ended December 31, 2006

Exhibit
Rebuttal Schedule H-3
Page 3
Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	\$ 25.00	\$ 25.00
2	Establishment (After Hours)	\$ 35.00	\$ 35.00
3	Reconnection (Delinquent)	\$ 35.00	\$ 35.00
4	Reconnection (Delinquent and After Hours)	\$ 50.00	\$ 50.00
5	Meter Test	\$ 35.00	\$ 35.00
6	Deposit Requirement (Residential)	(a)	(a)
7	Deposit Requirement (None Residential Meter)	(a)	(a)
8	Hydrant Meter Deposit	\$ 50.00	\$ 50.00
9	Deposit Interest	(b)	(b)
10	Re-Establishment (With-in 12 Months)	(c)	(c)
11	Re-Establishment (After Hours)	(c)	(c)
12	NSF Check	\$ 25.00	\$ 25.00
13	Deferred Payment, Per Month	1.50%	1.50%
14	Meter Re-Read	\$ 25.00	\$ 25.00
15	Charge of Moving Customer Meter -		
16	Customer Requested per Rule R14-2-405B	Cost	Cost
17	After hours service charge, per Rule R14-2-403D	Refer to	Refer to
18		Above	Above
19		Charges	Charges
20	Late Charge per month	1.5%	1.5%
21	Off-site Facilities Hook-up Fee (See H-3, page 5)	(d)	(d)
22	CAP Hook-up Fee (See H-3, page 5)	(e)	(e)
23			
24	(a) <u>Residential</u> - two times the average bill. <u>Non-residential</u> - two and one-half times the average bill.		
25	(b) Interest per Rule R14-2-403(B).		
26	(c) Minimum charge times number of full months off the system. per Rule R14-2-403(D).		
27	(d) New water installations. May be assessed only once per parcel, service connection, or lot within a sub-		
28	division. Purpose is to equitably apportion the costs of constructing additional off-site facilities to provide		
29	water production, delivery, storage, and pressure among all new service connections.		
30	(e) New water installations. May be assessed only once per parcel, service connection, or lot within a sub-		
31	division. Purpose is to recover the costs of additional 1,931 a.f. of CAP allocation. Fee will be recomputed		
32	annually to take into account carrying costs of unrecovered balance and annual payment.		
33			
34	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
35	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
36	TAX. PER COMMISSION RULE 14-2-409D(5).		
37	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
38	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.		
39			
40	All advances and/or contributions are to include labor, materials and parts, overheads and all applicable taxes.		
41	including all gross-up taxes, if applicable.		

Chaparral City Water Company
Test Year Ended December 31, 2006
Meter and Service Line Charges

Exhibit
Rebuttal Schedule H-3
Page 4
Witness: Bourassa

Line
No.

1

2 **Meter and Service Line Charges**

3

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N/T = No Tariff

	Present Service Line Charge	Present Meter Install- ation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Install- ation Charge	Total Proposed Charge
5/8 x 3/4 Inch	\$ 385.00	\$ 135.00	\$ 520.00	\$ 385.00	\$ 135.00	\$ 520.00
3/4 Inch	385.00	215.00	600.00	385.00	215.00	600.00
1 Inch	435.00	255.00	690.00	435.00	255.00	690.00
1 1/2 Inch	470.00	465.00	935.00	470.00	465.00	935.00
2 Inch / Turbine	630.00	965.00	1,595.00	630.00	965.00	1,595.00
2 Inch / Compound	630.00	1,690.00	2,320.00	630.00	1,690.00	2,320.00
3 Inch / Turbine	805.00	1,470.00	2,275.00	805.00	1,470.00	2,275.00
3 Inch / Compound	845.00	2,265.00	3,110.00	845.00	2,265.00	3,110.00
4 Inch / Turbine	1,170.00	2,350.00	3,520.00	1,170.00	2,350.00	3,520.00
4 Inch / Compound	1,230.00	3,245.00	4,475.00	1,230.00	3,245.00	4,475.00
6 Inch / Turbine	1,730.00	4,545.00	6,275.00	1,730.00	4,545.00	6,275.00
6 Inch / Compound	1,770.00	6,280.00	8,050.00	1,770.00	6,280.00	8,050.00
8 Inch & Larger	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

Chaparral City Water Company
Test Year Ended December 31, 2006
Hook-Up Fees

Exhibit
Rebuttal Schedule H-3
Page 5
Witness: Bourassa

Line

No.

1

2 Off-site Facilities Hook-up Fee

3

4

5

6 5/8 x 3/4 Inch

	Present	Proposed
	<u>Charge</u>	<u>Charge</u>
\$	1,000	\$ 1,000

7 3/4 Inch

1,500 1,500

8 1 Inch

2,500 2,500

9 1 1/2 Inch

5,000 5,000

10 2 Inch

8,000 8,000

11 3 Inch

16,000 16,000

12 4 Inch

25,000 25,000

13 6 Inch or larger

50,000 50,000

14

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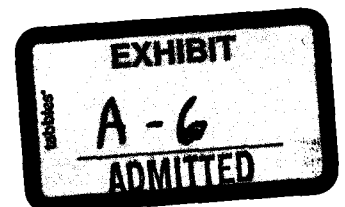
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8 Water Company, Inc.

9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10 IN THE MATTER OF THE APPLICATION
11 OF CHAPARRAL CITY WATER
12 COMPANY, INC., AN ARIZONA
13 CORPORATION, FOR A
14 DETERMINATION OF THE CURRENT
15 FAIR VALUE OF ITS UTILITY PLANT
16 AND PROPERTY AND FOR INCREASES
17 IN ITS RATES AND CHARGES FOR
18 UTILITY SERVICE BASED THEREON.

DOCKET NO. W-02113A-07-0551

19 **SUPPLEMENTAL REBUTTAL TESTIMONY OF**
20 **THOMAS J. BOURASSA**
21 **(RATE BASE, INCOME STATEMENT,**
22 **REVENUE REQUIREMENT, RATE DESIGN)**
23
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II.	PROPOSED LOW INCOME TARIFF.....	1

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1 **I. INTRODUCTION AND PURPOSE.**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS?**

3 A. My name is Thomas J. Bourassa and my business address is 139 W. Wood Drive,
4 Phoenix, AZ 85029.

5 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THE**
6 **INSTANT CASE?**

7 A. Yes, my direct testimony was submitted in support of the initial application filed
8 on September 26, 2007, and my rebuttal testimony was filed on October 31, 2008.

9 **Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENTAL REBUTTAL**
10 **TESTIMONY?**

11 A. To present the Chaparral City Water Company's ("CCWC" or "Company")
12 proposal for approval of a lower income tariff.

13 **II. PROPOSED LOW INCOME TARIFF.**

14 **Q. DOES THE COMPANY CURRENTLY HAVE A LOW INCOME TARIFF?**

15 A. No.

16 **Q. WHY IS THE COMPANY PROPOSING THAT A LOW INCOME TARIFF**
17 **BE APPROVED IN THIS RATE CASE?**

18 A. Low income tariffs are an established regulatory tool used by regulatory
19 commissions to provide some relief to lower income ratepayers. The Commission
20 has approved low income tariffs for a number of utilities, and with the recent
21 downturn in our economy, the Commission has focused even more on the need for
22 these tariffs. As a result, CCWC wants to provide an opportunity for those
23 customers that truly need assistance to lower their cost of water utility service.

24 **Q. DOES THE LOW INCOME TARIFF IMPACT THE COMPANY'S**
25 **REVENUE REQUIREMENT?**

26

1 A. No. The low income tariff shifts the recovery of the revenue requirement between
2 customers. Those customers that pay the normal rates for water utility service are
3 subsidizing those customers that obtain a discount on the cost.

4 **Q. HAS THE COMPANY PREPARED A LOW INCOME TARIFF?**

5 A. Yes. Attached at **Bourassa Supplemental Rebuttal Exhibit 1** is the Company's
6 proposed low income tariff.

7 **Q. WOULD YOU PLEASE DESCRIBE THE COMPANY'S PROPOSED LOW**
8 **INCOME TARIFF?**

9 A. Yes. Customers meeting the qualifications as set forth in the proposed tariff would
10 receive a 15 percent discount off their water bill. The primary criteria would be
11 based on the combined gross annual income of all persons living in the household.
12 For example, as shown on the proposed tariff, a 4-person household with a total
13 gross annual income of less than or equal to \$31,800 would meet the criteria. As
14 defined in the proposed tariff, gross annual household income means all money
15 and non-cash benefits, available for living expenses, from all sources, both taxable
16 and non-taxable, for all people who live in the home.

17 **Q. HOW WOULD A CUSTOMER SIGN UP FOR THE PROGRAM?**

18 A. By completing an application and eligibility declaration and submitting proof of
19 income to the Company. The form of the application and eligibility declaration
20 would be approved by the Commission. A sample application and eligibility
21 declaration is attached as **Bourassa Supplemental Rebuttal Exhibit 2**.

22 **Q. HOW WERE THE GROSS ANNUAL HOUSEHOLD INCOME LIMITS**
23 **DETERMINED IN THE PROPOSED TARIFF?**

24 A. The income guidelines are based on 150 percent of the 2008 federal poverty
25 guidelines.

26

1 **Q. WOULD THE GROSS ANNUAL INCOME LIMITS BE UPDATED**
2 **ANNUALLY?**

3 A. Yes. Federal poverty guidelines are updated annually and published in the Federal
4 Register (January). Accordingly, the Company would update its gross annual
5 household income limits annually.

6 **Q. HOW WOULD CUSTOMERS BE MADE AWARE OF THE LOW**
7 **INCOME TARIFF PROGRAM?**

8 A. Providing customers with information about the low income tariff program will be
9 an ongoing process. Notice of the new rates implemented in this rate case would
10 include information about the low income tariff. Additional information would be
11 provided by bill inserts, and on CCWC's website. In addition, new customers
12 would be made aware of the program upon signing up for new service.

13 **Q. HOW WOULD THE COMPANY TRACK THE PROGRAM COSTS AND**
14 **PROGRAM COST RECOVERY?**

15 A. The program costs (the discounts given to participants plus a 10% fee for
16 administration and carrying costs) would be recovered from non-participants via a
17 commodity surcharge. The Company would maintain a balancing account to keep
18 track of the program costs and the collections made from non-participants. The
19 surcharge would be computed annually based on the prior year costs and
20 collections.

21 **Q. WHEN WOULD THE COMMODITY SURCHARGE TO NON-**
22 **PARTICIPANTS BEGIN?**

23 A. One year after the program begins. In order to determine a basis for the first
24 surcharge computation, the CCWC will track the program costs for 12 months.
25 Upon completion of the 12-month period, the Company will compute a surcharge
26 intended to collect the prior year's program costs over the next 12 months.

1 Accordingly, the first year surcharge will be computed by dividing the program
2 costs by the gallons sold to non-participants during the 12-month period.
3 Subsequently, the program costs and surcharge collections will be accumulated in
4 the balancing account for the next 12-month period. The next year's surcharge
5 will be computed by dividing the balancing account balance by the gallons sold to
6 non-participants during most recent 12-month period.

7 **Q. CAN YOU PLEASE PROVIDE AN ILLUSTRATION?**

8 A. Yes. Assume that during the first 12 months of the program \$20,000 in costs are
9 incurred (including the administrative fee and carrying costs) and 500,000
10 thousand gallons were sold to non-participants during that 12-month period. The
11 commodity surcharge for the second year would be \$0.04 per 1,000 gallons
12 (\$20,000 divided by 500,000 thousand gallons). If during the second year,
13 \$25,000 in program costs are incurred, \$22,000 is recovered via the surcharge to
14 non-participants, and 550,000 thousand gallons are sold to non-participants, then
15 the commodity surcharge for the third year would be \$0.0418 per 1,000 gallons
16 (\$20,000 program costs for first year less \$22,000 in surcharge collections plus
17 \$25,000 programs costs for the second year) divided by 550,000 thousand gallons).

18 **Q. WOULD THE COMPANY BE WILLING TO SUBMIT AN ANNUAL**
19 **REPORT TO THE COMMISSION?**

20 A. Yes. CCWC expects that it will need to submit an annual report showing the
21 number of participants for the year, the discounts given to participants,
22 administration fee and carrying costs, and the collections made from non-
23 participants though the surcharge. The Company would also report the balance of
24 the low income balancing accounts and show a computation of the next year's
25 commodity surcharge and submit updated gross annual income guidelines for the
26 next year.

1 Q. WOULD THE SURCHARGE APPEAR SEPARATELY ON CUSTOMER
2 BILLS?

3 A. Yes. The surcharge would be identified as "Low Income Assistance Charge."

4 Q. DOES THE COMPANY HAVE AN ESTIMATE OF HOW MANY
5 CUSTOMERS WILL QUALIFY FOR THE LOW INCOME TARIFF
6 DURING THE FIRST YEAR NEW RATES WILL BE IN EFFECT?

7 A. As CCWC has no prior experience administering this type of program in Fountain
8 Hills, it can only offer a rough guess. One source researched stated that 4.6% of
9 all residences in Fountain Hills were below the 2007 Federal poverty level. With
10 an approximate connection count of 13,500, there would be 621 connections with
11 no reduction for non-residential accounts. Of this total, CCWC estimates that half
12 of the accounts are in individually metered residential connections as opposed to
13 those living in master-metered apartment buildings. Out of these roughly 300
14 eligible connections, the Company assumes that two-thirds would participate and
15 sign up for the program.

16 Q. WHAT WOULD BE THE IMPACT ON AN AVERAGE CUSTOMER
17 BILL?

18 A. Based on the existing bill for median usage on a 3/4" meter currently at \$24.94, the
19 impact would result in a reduction of \$3.74.

20 Q. WHAT WOULD BE THE COSTS OF THE PROGRAM ON THE ABOVE
21 ESTIMATES?

22 A. Our best estimate of the annual surcharge would be \$3.74 times twelve months,
23 times 200 accounts, times 1.10% for the administrative charge and carrying costs.
24 This would equal approximately \$9,875 per year.

25 Q. WHAT IS THE ESTIMATED TOTAL ADMINISTRATION FEE AND
26 CARRYING COSTS OF THE PROGRAM?

1 A. About \$900 (\$3.74 times 12 months times 200 customers times 10 percent).

2 **Q. WHAT WOULD BE THE SURCHARGE BASED ON THE 2006 GALLONS**
3 **SOLD?**

4 A. About ½ cent per 1,000 gallons, or about 4 cents on the average ¾ inch customer
5 bill.

6 **Q. PLEASE EXPLAIN.**

7 A. Per the Company's rebuttal filing, the gallons sold, including the gallons from the
8 revenue annualization, is 1,863,004 thousand gallons (2,084,339 thousand gallons
9 minus 221,335 thousand gallons from the revenue annualization). The gallons
10 sold to participants will be 20,280 thousand gallons (8,450 gallons for average ¾
11 inch customer times 12 months times 200 customers divided by 1,000). The gallon
12 basis for the surcharge will be 1,842,724 thousand gallons (1,863,004 thousand
13 gallons minus 20,280 thousand gallons). Dividing \$9,500 by 1,824,724 thousand
14 gallons yields a surcharge of about ½ cent. The average ¾ inch customer uses 8.45
15 thousand gallons, so the surcharge for an average ¾ inch bill would be about 4
16 cents (8.45 thousand gallons times ½ cent) per month.

17 **Q. DOES THAT CONCLUDE YOUR SUPPLEMENTAL REBUTTAL**
18 **TESTIMONY ON THE COMPANY'S PROPOSED LOW INCOME**
19 **TARIFF?**

20 A. Yes.
21
22
23
24
25
26

**BOURASSA SUPPLEMENTAL REBUTTAL
EXHIBIT 1**

**CHAPARRAL CITY WATER COMPANY (CCWC)
ALTERNATE RATES FOR WATER (ARW)
DOMESTIC SERVICE – SINGLE FAMILY ACCOMMODATION**

APPLICABILITY

Applicable to residential water service for domestic use rendered to low-income households where the customer meets all the Program Qualifications and Special Conditions of this rate schedule.

TERRITORY

Within all Customer Service Areas served by the Company.

RATES

Fifteen percent (15%) discount applied to the regular filed tariff.

PROGRAM QUALIFICATIONS

1. The CCWC bill must be in your name and the address must be your primary residence or you must be a tenant receiving water service by a sub-metered system in a mobile home park.
2. You may not be claimed as a dependent on another person's tax return.
3. You must reapply each time you move.
4. You must renew your application every two years, or sooner, if requested.
5. You must notify CCWC within 30 days if you become ineligible for ARW.
6. Your total gross annual income of all persons living in your household cannot exceed the income levels below:

Effective January 1, 2008

<u>No. of Person In Household</u>	<u>Total Gross Annual Income</u>
1	\$15,600
2	21,000
3	26,400
4	31,800
5	37,200
6	42,600
For each additional person residing in the household, add \$5,400.	

(T)

(T)

(Continued)

For the purpose of the program the "gross household income" means all money and non cash benefits, available for living expenses, from all sources, both taxable and non taxable, before deductions for all people who live in my home. This includes, but is not limited to:

Wages or salaries	Social Security, SSI, SSP	Rental or royalty income
Interest or dividends from:	Scholarships, grants, or other aid	Profit from self-employment
Savings accounts, stocks or bonds	used for living expenses	(IRS form Schedule C, Line 29)
Unemployment benefits	Disability payments	Worker's Compensation
TANF(AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

SPECIAL CONDITIONS

1. **Application and Eligibility Declaration:** An Application and eligibility declaration on a form authorized by the Commission is required for each request for service under this schedule. Renewal of a customer's eligibility declaration will be required, at least, every two years.
2. **Commencement of Rate:** Eligible customers shall be billed on this schedule commencing with the next regularly scheduled billing period that follows receipt of application by the Utility.
3. **Verification:** Information provided by the applicant is subject to verification by the Utility. Refusal or failure of a customer to provide documentation of eligibility acceptable to the Utility, upon request by the Utility, shall result in removal from this rate schedule.
4. **Notice From Customer:** It is the customer's responsibility to notify the Utility if there is a change of eligibility status.
5. **Rebilling:** Customers may be re-billed for periods of ineligibility under the applicable rate schedule.
6. **Mobile home Park and Master-metered:** A reduction will be calculated in the bill of mobile home park and master-metered customers, who have sub-metered tenants that meet the income eligibility criteria, so an equivalent discount (15%) can be passed through to eligible customer(s).

**BOURASSA SUPPLEMENTAL REBUTTAL
EXHIBIT 2**

(N)

**CHAPARRAL CITY WATER COMPANY
APPLICATION AND DECLARATION FOR
ALTERNATE RATES FOR WATER PROGRAM**

Your Name (Please Print)

☐ I am a sub-metered tenant of a mobile home park or apartment complex

Chaparral City Water Company Account No. | | | | | | | | | |

Service Address _____

Mailing Address _____
(If different from above address)

Telephone No. (home) _____ (work) _____

Number of people living in your household: Adults | | | | + Children | | | | = Total | | | |

Total Gross Annual Income of Household _____

Please attach proof of income for eligibility verification.

By signing below, I certify under penalty of perjury that this information is true and correct under the laws of the Arizona. I will provide proof of income and I will notify Chaparral City Water Company of any changes that affect my eligibility. I understand that if I receive the discount without meeting the qualifications for it, I may be required to pay back the discount I received.

Customer Signature

Date

Mail completed application to:

Chaparral City Water Company
Alternative Rates Program
P.O. Box 9016
San Dimas, California 91773

FOR CHAPARRAL CITY WATER COMPANY USE ONLY

Date received _____ Date Verified _____ Verified By _____

(N)

1 FENNEMORE CRAIG, P.C.
Norman D. James (No. 006901)
2 Jay L. Shapiro (No. 014650)
3003 N. Central Avenue
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Phoenix, Arizona 85012
4 Attorneys for Chaparral City
Water Company, Inc.
5

6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7
8 IN THE MATTER OF THE APPLICATION
OF CHAPARRAL CITY WATER
9 COMPANY, INC., AN ARIZONA
CORPORATION, FOR A
10 DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT
11 AND PROPERTY AND FOR INCREASES
IN ITS RATES AND CHARGES FOR
12 UTILITY SERVICE BASED THEREON.

DOCKET NO. W-02113A-07-0551

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17 **REJOINDER TESTIMONY OF**
18 **THOMAS J. BOURASSA**
19 **(RATE BASE, INCOME STATEMENT,**
20 **REVENUE REQUIREMENT, RATE DESIGN)**
21

22 **December 4, 2008**
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1 **I. INTRODUCTION, PURPOSE AND SUMMARY.**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS?**

3 A. My name is Thomas J. Bourassa and my business address is 139 W. Wood Drive,
4 Phoenix, AZ 85029.

5 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THE INSTANT**
6 **CASE?**

7 A. Yes, my direct and rebuttal testimony were submitted in support of the initial
8 application and the rebuttal filing in this docket by Chaparral City Water Company
9 ("CCWC" or "Company").

10 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

11 A. I will provide rejoinder testimony in response to the surrebuttal filings by Arizona
12 Corporation Commission Utilities Division Staff ("Staff") and the Residential
13 Utility Consumer Office ("RUCO"). This first volume of my rejoinder testimony
14 relates to rate base, income statement and rate design for CCWC. In a second,
15 separate volume of my testimony, I also present an update to the Company's
16 requested cost of capital as well as provide responses to Staff and RUCO on the
17 cost of capital and rate of return applied to the fair value rate base, and the
18 determination of operating income.

19 **Q. BESIDES RUCO, HAS EITHER OF THE OTHER TWO INTERVENORS**
20 **SUBMITTED PREFILED TESTIMONY IN THIS RATE CASE?**

21 A. Not to my knowledge.

22 **Q. WHAT IS THE REVENUE INCREASE THAT THE COMPANY IS**
23 **PROPOSING IN THIS REJOINDER TESTIMONY?**

24 A. The Company is proposing a total revenue requirement of \$10,410,741, which
25 constitutes an increase in revenues of \$2,910,741, or 38.72% over test year
26 revenues.

1 Q. HOW DOES THIS COMPARE WITH THE COMPANY'S REBUTTAL
2 FILING?

3 A. In the rebuttal filing, the Company requested a total revenue requirement of
4 \$10,495,967, an increase in revenues of \$2,990,957, or 39.85%. The difference
5 arises from acceptance of a number of additional rate base and income statement
6 adjustments proposed by RUCO and Staff plus a few additional adjustments from
7 the Company.

8 Q. PLEASE SUMMARIZE THE PROPOSED REVENUE REQUIREMENTS
9 AND RATE INCREASES FOR THE COMPANY, STAFF, AND RUCO AT
10 THIS STAGE OF THE PROCEEDING?

11 A. The proposed revenue requirements and proposed rate increases are as follows:

	<u>Revenue Requirement</u>	<u>Revenue Incr.</u>	<u>% Increase</u>
Company - Rebuttal	\$10,495,100	\$2,990,957	39.85%
Staff - Surrebuttal	Unknown	Unknown	Unknown
RUCO - Surrebuttal	\$8,649,488	\$1,144,478	15.25%
Company Rejoinder	\$10,410,741	\$2,905,731	38.72%

17 Q. MR. BOURASSA, WHY ARE STAFF'S NUMBERS LISTED AS
18 "UNKNOWN"?

19 A. Because Staff did not provide any schedules with its surrebuttal filing.

20 Q. DOES THAT MEAN THAT STAFF'S SURREBUTTAL REVENUE
21 REQUIREMENT AND REVENUE INCREASE HAVE NOT CHANGED
22 FROM ITS DIRECT FILING?

23 A. I cannot say for certain one way or another. It appears that Staff has accepted at
24 least one of the Company's rebuttal adjustments that would alter its revenue
25 requirement and recommended rate increase and rates. See Surrebuttal Testimony
26 of Marvin E. Millsap ("Millsap Sb.") at 6.

1 **II. RATE BASE.**

2 **A. Rejoinder OCRB Rate Base Adjustments.**

3 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
4 **REJOINDER ORIGINAL COST RATE BASE, AND IDENTIFY ANY**
5 **ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR**
6 **RUCO?**

7 **A.** The Company's rejoinder rate base adjustments to OCRB are shown on Rejoinder
8 Schedules B-2, pages 2 through 4. Rejoinder Schedule B-2, page 1, shows the
9 rebuttal OCRB. Schedule B-2, page 2, summarizes the adjustments made to the
10 OCRB.

11 Rejoinder OCRB adjustment number 1, as shown on B-2, page 3, accepts
12 RUCO's adjustment to plant-in-service for general office post test year plant. *See*
13 *Surrebuttal Testimony of Timothy J. Coley ("Coley Sb." at 6).* The "post test year"
14 plant was recorded in the first week of January 2007 and I believe this is just a
15 timing problem. And while I believe that the "post test year" should be included in
16 rate base as it was used and useful at the end of the test year, revenue neutral, and
17 necessary to serve the year-end level of customers, the Company has accepted the
18 adjustment to help eliminate issues between the parties.

19 Rejoinder OCRB adjustment number 2, as shown on B-2, page 4, accepts
20 RUCO's adjustment to accumulated depreciation for general office post test year
21 plant. *Id.* The adjustment is zero because there was no depreciation recorded as of
22 the end of the test year.

23 **B. Reconstruction Cost Rate Base Adjustments.**

24 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S REJOINDER**
25 **ADJUSTMENTS TO THE RCRB?**

26 **A.** The Company's rejoinder rate base adjustments to RCRB are shown on Rejoinder

1 Schedules B-3, pages 2 through 4. Rejoinder Schedule B-3, page 1, shows the
2 rebuttal RCRB. The rejoinder B-3 adjustments reflect the rebuttal B-2 adjustments
3 at the reconstruction cost level.

4 Rejoinder RCRB adjustment number 1, as shown on B-3, page 3, accepts
5 RUCO's adjustment to RCN plant-in-service for general office post test year plant
6 and corresponds to the OCRB adjustment number 1 discussed above.

7 Rejoinder RCRB adjustment number 2, as shown on B-3, page 4, accepts
8 RUCO's adjustment to RCN accumulated depreciation for general office post test
9 year plant and corresponds to the OCRB adjustment number 2 discussed above.

10 **C. Rejoinder To Staff On Rate Base.**

11 **Q. WHAT RATE BASE ISSUES REMAIN IN DISPUTE BETWEEN THE**
12 **COMPANY AND STAFF?**

13 A. Again, I cannot say for certain given that Staff has only addressed two rate base
14 issues in its surrebuttal filing—treatment of the FHSD settlement proceeds and
15 accumulated depreciation. Staff ignores my rebuttal testimony on the issues
16 related to errors contained in Staff's accumulated depreciation adjustments, which
17 impact the determination of the Company's rate base. *See* Rebuttal Testimony of
18 Thomas J. Bourassa ("Bourassa Rb.") at 9. And even where Staff does address
19 CCWC's rebuttal rate base testimony, the testimony lacks any specificity
20 whatsoever. *See e.g.*, Millsap Sb. at 2, 4-5.

21 **Q. PLEASE COMMENT ON STAFF'S RESPONSE TO YOUR REBUTTAL**
22 **TESTIMONY, ON PAGE 11, CONCERNING THE ACCUMULATED**
23 **DEPRECIATION ADJUSTMENT TO GENERAL OFFICE**
24 **TRANSPORTATION EQUIPMENT.**

25 A. While CCWC may have indicated that the accumulated transportation equipment
26 was \$43,666.60, in the Company's direct filing, transportation equipment was

1 included as fully depreciated. Bourassa Rb. at 11. It has no impact on rate base.

2 **Q. WHY IS THERE A DIFFERENCE BETWEEN THE RESPONSE TO A**
3 **DATA REQUEST BY THE COMPANY ON ACCUMULATED**
4 **DEPRECIATION AND THE AMOUNT INCLUDED IN THE FILING AND**
5 **THE COMPANY'S WORKPAPERS?**

6 A. I do not know at this time. I am not sure if the information contained in the data
7 response was the tax basis or book basis. The information provided to me by the
8 Company during preparation of the application indicated that general office
9 transportation equipment was fully depreciated for book purposes. This
10 information was included in the Company's work papers provided to Staff, and the
11 data request response appears to be a mistake. The amount of accumulated
12 depreciation is included in the Company's proposed accumulated depreciation for
13 general office equipment. As per the Company's direct filing, general office
14 transportation equipment was fully depreciated. Bourassa Rb. at 11.

15 **Q. WHAT IS STAFF'S RESPONSE TO CCWC'S REBUTTAL TESTIMONY**
16 **ON THE TREATMENT OF THE FHSD SETTLEMENT PROCEEDS?**

17 A. Summed up, Staff's testimony appears to be that it is right for reasons that are not
18 identified and that Staff does not need to provide support or address prior decisions
19 that provide guidance on how to treat these proceeds because every case stands on
20 its own. Millsap Sb. at 2.

21 **Q. DO YOU AGREE WITH MR. MILLSAP?**

22 A. No, I believe Mr. Millsap's view is overstated. I am not a lawyer, so I am not in a
23 position to debate the precedential effect of prior Commission decisions from a
24 legal perspective. But clearly the Commission relies on ratemaking treatments
25 followed in prior cases. For example, we have been using a method of
26 determining property tax expense from case to case for water and sewer

1 companies. *Chaparral City Water Company*, Decision No. 68176 (September 30,
2 2005), at 13-15; *Black Mountain Sewer Corporation*, Decision No. 69164
3 (December 5, 2006), at 10-12; *Rio Rico Utilities*, Decision No. 67279 (October 5,
4 2004), at 8; *Arizona Water Company*, Decision No. 64282 (December 28, 2001) at
5 12-13; *Bella Vista Water Company*, Decision No. 65350 (November 1, 2002), at
6 16; *Arizona-American Water Company*, Decision No. 67093 (June 30, 2004), at 9-
7 10. The Commission has relied on the treatment of post test year plant in past rate
8 cases to decide what to do in other cases, and the Commission also routinely looks
9 at rate case expenses in prior cases to determine an appropriate level of this
10 expense in new case. *See, e.g., Chaparral City Water Company*, Decision No.
11 68176 (September 30, 2005); *Rio Rico Utilities, Inc.*, Decision No. 67279
12 (October 5, 2004); *Bella Vista Water Company*, Decision No. 65350 (November 1,
13 2002). Staff's recommendations regarding the use of account specific depreciation
14 rates are regularly adopted by the Commission. *Chaparral City Water Company*,
15 Decision No. 68176 (September 30, 2005), at 15. Another example of precedential
16 effect includes the treatment of purchased wastewater capacity in the Black
17 Mountain Sewer case. *See* Decision 69164 (December 5, 2006) at 8. It is
18 misleading and inconsistent of Staff to say that every case stands on its own,
19 implying that past decisions have no role in this or any other rate case.

20 **Q. BUT MR. BOURASSA, YOU WOULD AGREE WOULDN'T YOU, THAT**
21 **EVERY CASE HAS ITS OWN UNIQUE FACTS AND CIRCUMSTANCES?**

22 **A.** There may be some limited exceptions to this, but yes, each rate case presents a
23 unique set of facts. But that doesn't mean that we abandon prior decisions that
24 provide guidance on how rates should be determined. Regulated utilities rely on
25 these decisions to operate their systems, maintain their books and records, and
26 prepare rate filings. I believe that the Commission should try to rely on prior cases

1 and apply them on a consistent basis to the facts presented in each case. And
2 where it doesn't, I believe the Commission should provide a reasoned basis for
3 deviating from the treatment afforded in the past in situations where the facts were
4 materially similar.

5 **Q. WHAT ABOUT MR. MILLSAP'S CLAIM THAT THE COMPANY DIDN'T**
6 **SEEK COMMISSION GUIDANCE ON THE TREATMENT OF THE**
7 **SETTLEMENT PROCEEDS?**

8 A. This is somewhat ironic. First, I suspect that had the Company come in and asked
9 for this so-called guidance, Staff would have argued and the Commission would
10 have ruled that the issue needs to be decided in a rate case. In my experience,
11 when guidance is sought regarding issues outside of a rate case, both Staff and this
12 Commission have rarely, if ever, provided a guaranteed regulatory treatment and
13 often state that regulatory treatment will be decided in the next rate proceeding.
14 And if the Commission were to provide the guidance Mr. Millsap implies we
15 should have obtained (Sb. at 2), I should think it obvious that the Arizona Water
16 Company-Eastern Group decision we have relied on all along would have been at
17 the center of that discussion. It should also be recalled that the same argument
18 Staff is making here was rejected in that case. Bourassa Rb. at 14 (*citing* Decision
19 No. 66849 at 35). The bottom line, in my opinion, is we haven't seen any adequate
20 explanations from Staff because Staff lacks any legitimate basis or support for
21 rejection of the Company's recommended sharing of the settlement proceeds.

22 **Q. HOW DO YOU RESPOND TO MR. MILLSAP'S TESTIMONY**
23 **REGARDING THE AMORTIZATION OF THE SETTLEMENT**
24 **PROCEEDS?**

25 A. It is a matter of opinion as to whether the amortization should follow a half-year
26 convention or a full-year convention. My recommendation to use a half-year

1 convention for computing amortization is consistent with the treatment of
2 depreciation for plant-in-service and contributions-in-aid of construction. Had I
3 used a full-year convention, the amortized portion of the settlement proceeds
4 would have been lower and the rate base higher. So, ratepayers are benefiting
5 from a lower rate base and lower revenue requirement from the Company's choice
6 to use a half-year convention.

7 **Q. DOES STAFF ACCEPT ANY OF THE COMPANY'S REBUTTAL RATE**
8 **BASE ADJUSTMENTS IN ITS SURREBUTTAL?**

9 A. No.

10 **Q. DO STAFF AND THE COMPANY CONTINUE TO DISAGREE ON THE**
11 **ALLOCATION FACTOR USED FOR ALLOCATING GENERAL OFFICE**
12 **PLANT AND ACCUMULATED DEPRECIATION?**

13 A. Yes. I agree with Staff that the 4-factor general office allocation rate of
14 4.0 percent recommended by Staff is better matched to the test year. However, as I
15 have stated, I have used RUCO's proposed lower allocation rate of 2.8 percent to
16 try to help eliminate issues between the parties. Bourassa Rb. at 10-11.

17 At this point, this appears to be a dispute between Staff and RUCO.

18 **D. Rejoinder to RUCO on Rate Base.**

19 **Q. WHAT RATE BASE ISSUES REMAIN IN DISPUTE BETWEEN THE**
20 **COMPANY AND RUCO?**

21 A. RUCO has changed course and now supports Staff's confiscation of one half of
22 the proceeds from the Company's settlement with FHSD. Coley Sb. at 18-19.
23 RUCO also has changed its position with respect to treatment of CCWC's recent
24 acquisition of an additional allocation of CAP water. *Id.* at 21-22. RUCO also
25 continues to assert that the Company has improperly amortized its CIAC balance
26 and that there is a rounding error in CCWC's RCND. *Id.* at 20-21, 23-24.

1 Q. WHAT RATIONAL DOES RUCO OFFER FOR ACCEPTING STAFF'S
2 POSITION?

3 A. RUCO claims that the FHSD settlement is different than the settlement in the
4 Arizona Water Company-Eastern Group case because here the wells are fully
5 depreciated. *Id.* RUCO provides no proof of this fact, nor does it make any
6 attempt to demonstrate why it matters.

7 Q. DOES RUCO EXPLAIN HOW THIS FACT SUPPORTS GIVING 100% OF
8 THE SETTLEMENT PROCEEDS OVER TO RATEPAYERS?

9 A. No, and I do not know why it is relevant. The Commission did not focus on this
10 factor in the Arizona Water case, it focused on the need for a policy that motivates
11 utilities to take action to protect the interest of both ratepayers and shareholders.
12 Staff and RUCO's position has the opposite effect.

13 Q. DOES RUCO ADDRESS ANY OF THE COMPANY'S REASONS FOR
14 PROPOSING A SHARING OF THE PROCEEDS OF THE FHSD
15 SETTLEMENT?

16 A. No.

17 Q. WHAT CHANGE DID RUCO MAKE IN ITS POSITION REGARDING
18 CCWC'S RECENT ACQUISITION OF AN ADDITIONAL CAP
19 ALLOCATION?

20 A. RUCO now adopts Staff's position that the cost of acquiring this additional
21 allocation should be afforded rate base treatment. However RUCO recommends
22 that only 50% of the acquisition cost be rate based. Coley Sb. at 21.

23 Q. HOW DOES THE COMPANY RESPOND TO RUCO'S
24 RECOMMENDATION?

25 A. CCWC disagrees. RUCO's position ignores the fact that the Company did not
26 have the option to purchase only half of this additional allocation. Direct

1 Testimony of Robert Hanford ("Hanford Dt.") at 5-7; Rebuttal Testimony of
2 Robert Hanford ("Hanford Rb.") at 5-7. You have to look at this as one asset,
3 indivisible into distinct parts. Because CCWC could either purchase the entire
4 1931 acre-feet or none of this additional allocation of CAP water, if part of
5 allocation is used and useful then it is all used and useful for purposes of rate base
6 treatment.

7 **Q. DOES THE COMPANY DISAGREE WITH RUCO'S COMPUTED**
8 **ACCUMULATED AMORTIZATION OF CIAC?**

9 A. Yes. RUCO believes that a composite rate of 3.3588 percent should have been
10 used for amortizing contributions-in-aid of construction ("CIAC") from the last
11 case to the instant case. Coley Sb. at 20. The Company disagrees. First, no
12 specific amortization rate was authorized in Decision No. 68176. Second, in my
13 experience, no specific amortization rate is authorized when account-specific
14 depreciation rates are authorized. In my view, this is because the amortization rate
15 is expected to be adjusted to match the composite depreciation rate for each year.
16 Third, using a fixed composite rate for amortization of CIAC which may be set by
17 the Commission over lengthy intervals between rate cases can result in significant
18 mismatches between net plant-in-service and net contributions-in-aid of
19 construction, which distorts the rate base because plant-in-service can depreciate
20 faster than contributions are amortized and vice versa. Remember, CIAC is used
21 to fund plant-in-service. Therefore, CIAC should be amortized at a rate consistent
22 with the depreciation rate on the plant which the CIAC is assumed to be funding.
23 In the instant case, and in the last case, the CIAC was assumed to be funding a
24 portion of all plant-in-service, so a composite depreciation rate for all plant was
25 used to compute amortization including operating expenses along with
26

1 depreciation expense.¹ The bottom line is it does not make sense, from a matching
2 perspective, to keep the amortization rate fixed while the overall composite
3 depreciation rate varies from year to year.

4 **Q. DOES RUCO ACCEPT ANY OF THE COMPANY'S REBUTTAL RATE**
5 **BASE ADJUSTMENTS IN ITS SURREBUTTAL?**

6 A. Yes. RUCO has accepted the Company explanation of the \$32,536 difference in
7 plant found in the Company's direct filing. Bourassa Rb. at 5. Accordingly,
8 RUCO has made an adjustment to its OCRB plant-in-service. Coley Sb. at 17.

9 RUCO has also adopted Staff's recommendation to capitalize certain
10 operating expenses. Coley Sb. at 16. The Company adopted both RUCO's and
11 Staff's recommendation on capitalized expenses in its rebuttal. Bourassa Rb. at 7.
12 All the parties are now in agreement on capitalized expenses. RUCO has also
13 agreed with a corresponding adjustment to accumulated depreciation for
14 capitalized expenses. Coley Sb. at 17.

15 **III. INCOME STATEMENT.**

16 **A. Income Statement Adjustments.**

17 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
18 **REJOINDER ADJUSTMENTS TO REVENUES AND EXPENSES AND**
19 **IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF**
20 **AND/OR RUCO?**

21 A. The Company rejoinder adjustments are detailed on rebuttal schedule C-2, pages
22 1-8. The rebuttal income statement with adjustments is shown on rejoinder
23 schedule C-1.

24 ¹ There are circumstances where CIAC is used to fund specific types of plant like transmission
25 and distribution mains, reservoirs, or water treatment facilities. In those cases, and where the
26 CIAC can be specifically traced to the plant funded, the CIAC amounts and corresponding plant
depreciation rates should be used to amortize CIAC in order to insure plant and CIAC are
properly matched.

1 In rejoinder adjustment number 1, the depreciation expense is annualized,
2 reflecting the plant-in-service adjustments discussed above. Depreciation expense
3 has decreased slightly from the Company's rebuttal filing due to the plant-in-
4 service adjustment I discussed above.

5 Rejoinder adjustment number 2 adjusts property taxes using the Company's
6 rejoinder proposed revenues. I continue to employ the methodology used by Staff
7 and recognized in past Commission decisions. Bourassa Rb. at 17. Any difference
8 between Staff and the Company with respect to property taxes is due to a
9 difference in the parties' respective proposed revenues. RUCO continues to
10 recommend use of 2004, 2005, and one year of proposed revenues. Coley Sb. at
11 10 and RUCO Surrebuttal Schedule TJC-30.

12 Rejoinder adjustment number 3 decreases outside services expense and
13 reflects the Company's adoption of RUCO's proposed removal of outside service
14 contract costs for an operator. Coley Sb. at 33. Since rebuttal, the Company has
15 confirmed that an employee was hired to perform the services provided by the
16 outside contractor. Since the employee labor costs were included in the
17 Company's salaries and wages annualization, this is an appropriate adjustment.

18 Rejoinder adjustment number 4 removes the negative expense amount of
19 \$1,294 for general insurance and sets general insurance expense to zero. This
20 adjustment should have been made in the rebuttal filing but was overlooked. A
21 negative expense amount does not make sense.

22 Rejoinder adjustment number 7 removes lobbying expenses of \$950
23 associated with the dues paid to the Investor Owned Arizona Water Utilities
24 Association. The recommendation to remove this expense was made by Staff in its
25 direct filing but was overlooked in the Company's rebuttal.

26 Rejoinder adjustment number 6 synchronizes interest expense with the

1 Company's rejoinder FVRB.

2 Rejoinder adjustment number 7 reflects the proposed increase in income
3 taxes on adjusted test year expenses and proposed rejoinder revenues.

4 **B. Rejoinder to Staff on Income Statement.**

5 **Q. WHAT ISSUES REMAIN IN DISPUTE WITH STAFF WITH RESPECT**
6 **TO THE INCOME STATEMENT?**

7 A. It is difficult to say. Like the testimony on rate base, Staff's response to our
8 rebuttal testimony on the income statement is short, cursory and provides almost
9 no detail to support Staff's position. One could conclude that because Staff has no
10 basis to contradict the Company's rebuttal since it said virtually nothing. That
11 said, rate case expense and Staff's normalization of certain expenses by averaging
12 remain in dispute. Millsap Sb. at 3-6. Also in dispute is the normalization of
13 general insurance, where Staff recommends the Company's rebuttal proposed
14 amount of negative \$1,294. Millsap Sb. at 6. Staff does not provide an
15 explanation of why it no longer normalizes general insurance while continuing to
16 recommend the normalization of chemicals expense and repairs and maintenance
17 expense using expenses in years prior to the test year. *Id.* at 6.

18 **Q. WHAT IS STAFF'S SURREBUTTAL TESTIMONY REGARDING RATE**
19 **CASE EXPENSE?**

20 A. That "Mr. Millsap's recommendation is based on the classification of the utilities
21 involved" and that he "mentioned" other water companies in a data request
22 response. Millsap Sb. at 3. This conclusory testimony provides no support for
23 Staff's recommendation.

24 Mr. Millsap also testifies that they had to conduct a lot of discovery in this
25 case because of the ALJ and the Commission, which expect them to conduct an
26 adequate analysis. *Id.* This second point misses the mark. No one questioned

1 whether Staff had to do an analysis. CCWC just pointed out that Staff's extensive
2 discovery impacted the level of rate case expense. So does Staff's 11th hour
3 introduction of a new witness on the cost of equity. But Staff ignores any case-
4 specific impacts to rate case expense. This is rather ironic given Staff's argument
5 that every case stands on its own.

6 Finally, Mr. Millsap states that rate case expense should be "normalized"
7 not amortized, but he doesn't say why and still offers no support for his position,
8 which conflicts with a long line of Commission decisions ordering rate case
9 expense to be amortized. Millsap Sb. at 3.

10 In short, Staff made no effort to address the Company's concerns that its
11 position was essentially unsupported and in conflict with past Commission
12 decisions on rate case expense. Bourassa Rb. at 24-27. Staff also ignored our
13 rebuttal concerning the rate case expense for the appeal and remand. *Id.* at 24-25.
14 See also Hanford Rb. at 11-12.

15 **Q. HOW DOES STAFF ADDRESS THE COMPANY'S REBUTTAL**
16 **TESTIMONY REGARDING STAFF'S ADJUSTMENTS TO NORMALIZE**
17 **CHEMICALS, REPAIRS AND MAINTENANCE AND INSURANCE**
18 **EXPENSE?**

19 A. Staff really doesn't address this testimony. Bourassa Rb. at 31-32; Hanford Rb.
20 at 8. Mr. Millsap just testifies that "normalization is a basic ratemaking principle"
21 and that it makes the test year "as normal as possible". Millsap Sb. at 5.

22 **Q. DOES MR. MILLSAP PROVIDE ANY EXPLANATION OF HOW THESE**
23 **ADJUSTMENTS MAKE THE TEST YEAR "AS NORMAL AS**
24 **POSSIBLE"?**

25 A. No. *Id.* at 5-6.
26

1 Q. DOES STAFF ACCEPT ANY OF THE COMPANY'S REBUTTAL
2 ADJUSTMENTS TO THE INCOME STATEMENT IN ITS
3 SURREBUTTAL?

4 A. Other than to recommend a negative \$1,294 of general insurance expense as
5 shown in the Company's rebuttal income statement, no. As I explained above, the
6 Company is now recommending the expense be zero.

7 C. Rejoinder to RUCO on Income Statement.

8 Q. WHAT ISSUES REMAIN IN DISPUTE WITH RUCO WITH RESPECT TO
9 THE INCOME STATEMENT?

10 A. RUCO continues to advocate its methodology for determining property tax
11 expense. Coley Sb. at 31-32. RUCO also continues to oppose recovery of rate
12 case expense for the appeal and remand. Rigsby Sb. at 4-5.

13 Q. DOES RUCO PROVIDE ANY FURTHER SUPPORT FOR ADOPTION OF
14 ITS PROPERTY TAX EXPENSE?

15 A. Not in my opinion. RUCO instead argues that prior property tax expense levels
16 were higher than the level of this expense actually incurred. But RUCO
17 completely ignores my rebuttal testimony where I offer several obvious reasons
18 that this has occurred. Bourassa Rb. at 19-21. As a result, RUCO has still failed
19 to provide any basis for deviating from the Commission's well-established
20 methodology for determining the level of property tax expense. Bourassa Dt. at
21 14.

22 Q. WHY DOES RUCO CONTINUE TO OPPOSE RECOVERY OF RATE
23 CASE EXPENSE FOR THE APPEAL AND REMAND PROCEEDINGS?

24 A. Mr. Rigsby continues to assert that CCWC made a business decision to pursue the
25 appeal to increase its operating income. Rigsby Sb. at 4-5. RUCO's argument
26 misses the point. The Commission failed to follow the Arizona Constitution and,

1 as a result, did not properly determine the Company's revenue requirement,
2 including the amount of operating income. The appeal and remand was the result
3 of that unlawful decision, and for this reason CCWC is entitled to recover a
4 reasonable amount of rate case expense for the appeal and remand.

5 **Q. ISN'T EVERY RATE CASE THE RESULT OF A "BUSINESS**
6 **DECISION"?**

7 A. Yes, if you follow Mr. Rigsby's logic. That would mean that rate case expense
8 would never be recovered, which flies in the face of long-standing policy. The
9 appeal and remand proceedings were a continuation of the same rate case, and the
10 Company is entitled to recover the additional expenses it incurred.

11 **IV. RATE DESIGN.**

12 **Q. PLEASE SUMMARIZE THE POSITIONS OF THE PARTIES WITH**
13 **RESPECT TO THE RATE DESIGN.**

14 A. Staff does not provide any testimony in its surrebuttal on any rate design issue in
15 this case, and does not provide any schedules nor show its surrebuttal rates. As a
16 result, while I cannot state what Staff's recommended rates are, it does appear to
17 me that all parties continue to propose the same rate design as adopted by the
18 Commission in the last rate case for CCWC, Decision No. 68176 (September 30,
19 2005), with one exception: the rate off irrigation and construction water.

20 **Q. WHAT DO YOU MEAN STAFF DOES NOT ADDRESS ANY RATE**
21 **DESIGN ISSUE IN "THIS CASE"?**

22 A. In his surrebuttal testimony (at 1), Mr. Millsap addressed the Company's proposed
23 surcharge in another docket. While I disagree with Mr. Millsap's testimony,
24 because this is an issue in another docket, I am not going to address it in this one.
25
26

1 The Company has already filed a corrected schedule showing the correct surcharge
2 in the correct docket. See Docket No. W-02113A-04-0616.

3 **Q. WHAT IS THE DISAGREEMENT REGARDING THE RATE FOR**
4 **IRRIGATION AND CONSTRUCTION WATER?**

5 A. Presently, the rate for irrigation (i.e., exterior water use for turf and landscaping)
6 and construction water is lower than the other commodity rates, including the
7 lowest rate block for residential customers. This low rate encourages the use of
8 potable water for exterior watering and construction-related purposes. The
9 Company recommends that the commodity rate for irrigation and construction
10 water be increased so that this rate is the same as the middle rate block for
11 residential customers and the initial rate block for commercial and industrial
12 customers. This is shown below in my proposed rejoinder rates. Staff agrees with
13 the Company in principle, but proposes to raise the commodity rate for irrigation
14 and construction water to a smaller extent, so that is closer to the middle rate block
15 for residential customers and the initial rate block for commercial and industrial
16 customers, but is still less.

17 **Q. WHAT ABOUT RUCO'S ASSERTION THAT THE COMPANY**
18 **PROPOSES A HOOK-UP FEE TO RECOVER THE COSTS OF THE**
19 **ADDITIONAL CAP ALLOCATION?**

20 A. The Company is not seeking approval of such a hook-up fee which is why I did not
21 address it in my direct or rebuttal testimonies. However, I inadvertently included
22 schedules which would lead one to believe otherwise, and RUCO correctly notes
23 that this was reflected in my H-3 schedules. Coley Sb. at 36.

24 **Q. DID STAFF POINT OUT A PROBLEM WITH A FOOTNOTE**
25 **CONCERNING THE TAXABILITY OF METER AND SERVICE LINE**
26 **CHARGES ON PAGE 4 OF YOUR H-3 SCHEDULES?**

1 A. Yes. Millsap Dt. at 42. Staff is correct and this language was inadvertently
2 included on the schedule. It has been eliminated from the Company's rejoinder
3 schedules.

4 **Q. WHAT ARE THE COMPANY'S PROPOSED REJOINDER RATES?**

5 A. The proposed rates are:

6

<u>All Classes</u>			
	Meter Size(inches)	Monthly Minimum	Gallons included in Monthly Minimum
7			
8			
9			
10	3/4	\$ 18.15	0
11	1	\$ 30.25	0
12	1 1/2	\$ 60.50	0
13	2	\$ 96.80	0
14	3	\$ 193.60	0
15	4	\$ 302.50	0
16	6	\$ 605.00	0
17	8	\$ 1,119.25	0
18	10	\$ 1,573.00	0
19	12	\$ 2,783.00	0
20	Fire Hydrants used for Irrigation	\$ 194.88	0
21	Fire Hydrants basic Service	\$ 0.00	0
22			
23	Fire Sprinkler	\$ 10.00	0
24			
25			
26			

1 The commodity charges and tiers by meter size are:

2 Residential, Commercial and Industrial Class

3	Meter		Charge
4	Size (inches)	Tier (gallons)	per 1,000 gallons
5	3/4	1 to 3,000	\$ 2.262
6		3,001 to 9,000	\$ 3.364
7		Over 10,000	\$ 4.044
8	1	1 to 24,000	\$ 3.364
9		Over 24,000	\$ 4.044
10	1 1/2	1 to 60,000	\$ 3.364
11		Over 60,000	\$ 4.044
12	2	1 to 100,000	\$ 3.364
13		Over 100,000	\$ 4.044
14	3	1 to 225,000	\$ 3.364
15		Over 225,000	\$ 4.044
16	4	1 to 350,000	\$ 3.364
17		Over 350,000	\$ 4.044
18	6	1 to 725,000	\$ 3.364
19		Over 725,000	\$ 4.044
20	8	1 to 1,125,000	\$ 3.364
21		Over 1,125,000	\$ 4.044
22	10	1 to 1,500,000	\$ 3.364
23		Over 1,500,000	\$ 4.044
24	12	1 to 2,250,000	\$ 3.364
25		Over 2,250,000	\$ 4.044

26

1 Irrigation Class

2 All Meter Sizes All gallons \$3.364

3 Fire Hydrant Irrigation and Construction Class

4 All Meter Sizes All gallons \$3.364

5 Standpipe (Fire Hydrants)

6 All Meter Sizes All gallons \$3.364

7 Fire Sprinklers

8 All Meter Sizes All gallons \$3.364

9 **Q. WHAT IS THE IMPACT OF THE COMPANY'S PROPOSED RATES ON**
10 **AN AVERAGE ¾ INCH METERED RESIDENTIAL CUSTOMER?**

11 A. The present monthly bill for a 3/4-inch metered residential customer using an
12 average of 8,450 gallons is \$32.38. The proposed monthly bill for a 3/4-inch
13 metered residential customer using an average of 8,450 gallons is \$43.27 – an
14 increase of \$10.90 or 33.66% over the present rates.

15 **Q. ARE THERE ANY CHANGES TO THE MISCELLANEOUS SERVICE**
16 **CHARGES?**

17 A. No.

18 **Q. ARE THERE ANY CHANGES TO THE METER AND SERVICE LINE**
19 **INSTALLATION CHARGES?**

20 A. No.

21 **Q. ARE STAFF AND THE COMPANY IN AGREEMENT ON METER AND**
22 **SERVICE LINE INSTALLATION CHARGES?**

23 A. Yes.

24 **Q. WHAT ABOUT THE COMPANY'S PROPOSED LOW INCOME TARIFF?**

25 A. This proposal was set forth in my supplemental rebuttal filed November 19, 2008,
26 so neither Staff nor RUCO has had a chance to address this proposal yet.

1 Q. DO YOU HAVE ANY OTHER COMMENTS AT THIS TIME?

2 A. Yes. I prepared a revenue proof of the rates proposed by Staff in its direct filing.
3 Based on the revenue proof, I believe that Staff's rates do not produce the revenue
4 requirement as set forth in Staff's direct filing. I am currently working with Staff
5 to identify the reason for the discrepancy and to resolve the issue.

6 Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?

7 A. Yes.

8

9

10

11

12

13

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26

**BOURASSA REJOINER
SCHEDULES**

(RATE BASE)

Chaparral City Water Company
Test Year Ended December 31, 2006
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rejoinder Schedule A-1
Page 1
Witness: Bourassa

Line
No.

1	Fair Value Rate Base	\$ 27,751,114
2		
3	Adjusted Operating Income	979,859
4		
5	Current Rate of Return	3.53%
6		
7	Required Operating Income	\$ 2,764,011
8		
9	Required Rate of Return on Fair Value Rate Base	9.96%
10		
11	Operating Income Deficiency	\$ 1,784,152
12		
13	Gross Revenue Conversion Factor	1.6286
14		
15	Increase in Gross Revenue Requirement	\$ 2,905,731
16		
17		
18	Adjusted Test Year Revenues	\$ 7,505,010
19	Increase	\$ 2,905,731
20	Proposed Revenue Requirement	\$ 10,410,741
21	% Increase over adjusted test year revenues	38.72%

	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
23 Customer Classification				
24 Residential, Commerical, Industrial				
25	\$ 3,524,021	\$ 4,708,257	\$ 1,184,236	33.60%
26 3/4 Inch	2,441,283	3,256,257	814,974	33.38%
27 1 Inch	172,583	230,257	57,674	33.42%
28 1.5 Inch	345,894	460,857	114,963	33.24%
29 2 Inch	24,229	32,224	7,995	33.00%
30 3 Inch	34,290	45,748	11,458	33.41%
31 4 Inch				
32 Irrigation				
33 3/4 Inch	69,200	129,742	60,542	87.49%
34 1 Inch	178,745	347,410	168,666	94.36%
35 1.5 Inch	134,012	258,465	124,453	92.87%
36 2 Inch	161,987	311,425	149,437	92.25%
37 4 Inch	152,769	320,083	167,314	109.52%
38 6 Inch	322,475	681,923	359,448	111.47%
39 FH/Construction				
40 3/4 Inch	181	256	75	41.60%
41 1 Inch	1,357	2,309	952	70.16%
42 2 Inch	646	1,090	444	68.71%
43 3 Inch	84,704	122,800	38,096	44.98%
44 4 Inch	11,424	15,971	4,547	39.80%
45 Fire Sprinkler	5,770	5,773	3	0.06%
46 Reconciling Amt H-1 to C-1	8,050	1,565	(6,485)	
47 Subtotal	\$ 7,673,618	\$ 10,932,412	\$ 3,258,794	42.47%
48 Revenue Annualization	(250,897)	(603,959)	(353,062)	140.72%
49 Miscellaneous Revenues	82,289	82,289	-	0.00%
50 Total of Water Revenues (a)	\$ 7,505,010	\$ 10,410,741	\$ 2,905,731	38.72%

SUPPORTING SCHEDULES:

Rejoinder B-1
Rejoinder C-1
Rejoinder C-3
Rejoinder H-1

Chaparral City Water Company
Test Year Ended December 31, 2006
Summary of Rate Base

Exhibit
Rejoinder Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	RCND Rate base	Fair Value Rate Base (50/50)
1				
2	Gross Utility Plant in Service	\$ 50,893,199	\$ 78,120,931	\$ 64,507,065
3	Less: Accumulated Depreciation	13,696,614	23,733,469	18,715,041
4				
5	Net Utility Plant in Service	\$ 37,196,585	\$ 54,387,462	\$ 45,792,023
6				
7	<u>Less:</u>			
8	Advances in Aid of			
9	Construction	6,557,243	10,225,334	8,391,288
10	Contributions in Aid of			
11	Construction - Net of amortization	6,119,129	9,435,452	7,777,291
12	Customer Meter Deposits	819,845	819,845	819,845
13	Deferred Income Taxes & Credits	925,896	925,896	925,896
14	Investment tax Credits	-	-	-
15	Well Settlement Proceeds	646,000	646,000	646,000
16				
17	<u>Plus:</u>			
18	Unamortized Debt Issuance			
19	Costs	424,010	424,010	424,010
20	Prepayments	-	-	-
21	Materials and Supplies	-	-	-
22	Deferred Regulatory Assets	-	-	-
23	Allowance for Working Capital	95,400	95,400	95,400
24				
25				
26	Total Rate Base	\$ 22,647,882	\$ 32,854,345	\$ 27,751,114

SUPPORTING SCHEDULES:

Rejoinder B-2
Rejoinder B-3
Rejoinder B-5

RECAP SCHEDULES:

Rejoinder A-1

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-2
Page 1
Witness: Bourassa

Line No.		Direct Adjusted at End of Test Year	Adjustment Amount	Rejoinder Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 50,908,634	(15,435)	\$ 50,893,199
3				
4	Less:			
5	Accumulated			
6	Depreciation	13,696,614	-	13,696,614
7				
8				
9	Net Utility Plant			
10	in Service	\$ 37,212,020		\$ 37,196,585
11				
12	Less:			
13	Advances in Aid of			
14	Construction	6,557,243	-	6,557,243
15				
16	Contributions in Aid of			
17	Construction - Net	6,119,129	-	6,119,129
18				
19	Customer Meter Deposits	819,845	-	819,845
20	Deferred Income Taxes	925,896	-	925,896
21	Investment Tax Credits	-	-	-
22	Well Settlement Proceeds	646,000	-	646,000
23				
24	Plus:			
25	Unamortized Debt Issuance			
26	Costs	424,010	-	424,010
27	Prepayments	-	-	-
28	Materials and Supplies	-	-	-
29	Deferred Regulatory Assets	-	-	-
30	Working capital	95,400	-	95,400
31				
32				
33	Total	<u>\$ 22,663,316</u>		<u>\$ 22,647,882</u>

SUPPORTING SCHEDULES:
Rejoinder B-2, page 1

RECAP SCHEDULES:
Rejoinder B-1

Chaparral City Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-2
Page 2
Witness: Bourassa

Line No.		Rebuttal Adjusted at End of Test Year	ADJUSTMENTS				Rejoinder at end of Test Year
			1 GO PTY Plant	2 GO PTY A/D	3 Intentionally Left Blank	4 Intentionally Left Blank	
1	Gross Utility						
2	Plant in Service	\$ 50,908,634	\$ (15,435)				\$ 50,893,199
3							
4	Less:						
5	Accumulated						
6	Depreciation	13,696,614					13,696,614
7							
8							
9	Net Utility Plant						
10	in Service	\$ 37,212,020	\$ (15,435)	\$ -	\$ -	\$ -	\$ 37,196,585
11							
12	Less:						
13	Advances in Aid of						
14	Construction	6,557,243					6,557,243
15							
16	Contributions in Aid of						
17	Construction - Net	6,119,129					6,119,129
18							
19	Customer Meter Deposits	819,845					819,845
20	Deferred Income Taxes	925,896					925,896
21	Investment Tax Credits	-					-
22	Well Settlement Proceeds	646,000					646,000
23							
24	Plus:						
25	Unamortized Debt Issuance						
26	Costs	424,010					424,010
27	Prepayments	-					-
28	Materials and Supplies	-					-
29	Deferred Regulatory Assets	-					-
30	Working capital	95,400					95,400
31							
32							
33	Total	\$ 22,663,316	\$ (30,869)	\$ -	\$ -	\$ -	\$ 22,647,882
34							
35							
36							

SUPPORTING SCHEDULES:
Rejoinder B-2, pages 3-6

RECAP SCHEDULES:
Rejoinder B-1

**Exhibit
Rejoinder Schedule B-2
Page 3
Witness: Bourassa**

[illegible]

**Exhibit
Rejoinder Schedule B-2
Page 4
Witness: Bourassa**

General Office Plant Allocation - Accumulated Depreciation									
Line No.	NARUC Description	A		B	Rejoinder Accum.	Allocation Factor	Rejoinder		Rejoinder Adjustment
		Remove PTY	Plant				Intentionally Left Blank	Allocated Accum.	
301	Organization Cost	-	-	-	-	2.80%	-	-	-
302	Franchise Cost and Other Intangible Plant	57,708	-	-	57,708	2.80%	1,616	1,616	-
303	Land and Land Rights	-	-	-	-	2.80%	-	-	-
304	Structures and Improvements	2,354,430	-	-	2,354,430	2.80%	65,924	65,924	-
305	Collecting and Impounding Res.	-	-	-	-	2.80%	-	-	-
306	Lake River and Other Intakes	-	-	-	-	2.80%	-	-	-
307	Wells and Springs	-	-	-	-	2.80%	-	-	-
308	Infiltration Galleries and Tunnels	-	-	-	-	2.80%	-	-	-
309	Supply Mains	-	-	-	-	2.80%	-	-	-
310	Power Generation Equipment	-	-	-	-	2.80%	-	-	-
311	Electric Pumping Equipment	-	-	-	-	2.80%	-	-	-
320	Water Treatment Equipment	-	-	-	-	2.80%	-	-	-
330	Distribution Reservoirs & Standpipe	-	-	-	-	2.80%	-	-	-
331	Transmission and Distribution Mains	-	-	-	-	2.80%	-	-	-
333	Services	-	-	-	-	2.80%	-	-	-
334	Meters	-	-	-	-	2.80%	-	-	-
335	Hydrants	-	-	-	-	2.80%	-	-	-
336	Backflow Prevention Devices	-	-	-	-	2.80%	-	-	-
339	Other Plant and Miscellaneous Equipment	(3,450)	-	-	(3,450)	2.80%	(97)	(97)	-
340	Office Furniture and Fixtures	8,664,647	-	-	8,664,647	2.80%	242,610	242,610	-
341	Transportation Equipment	278,717	-	-	278,717	2.80%	7,804	7,804	-
342	Stores Equipment	-	-	-	-	2.80%	-	-	-
343	Tools and Work Equipment	192,488	-	-	192,488	2.80%	5,390	5,390	-
344	Laboratory Equipment	4,062	-	-	4,062	2.80%	114	114	-
345	Power Operated Equipment	249,257	-	-	249,257	2.80%	6,979	6,979	-
346	Communications Equipment	165,561	-	-	165,561	2.80%	4,636	4,636	-
347	Miscellaneous Equipment	-	-	-	-	2.80%	-	-	-
348	Other Tangible Plant	-	-	-	-	2.80%	-	-	-
		\$11,963,420	\$ -	\$ -	\$ 11,963,420		\$ 334,976	\$ 334,976	\$ -
General Office Plant Allocation - Plant-in-service per Rebuttal Filing									
							\$ -	\$ -	\$ -
							\$ -	\$ -	\$ -
SUPPORTING SCHEDULES									
RUCO OCRB Adj. #11 - Schedule TJC-11									

Chaparral City Water Company
Test Year Ended December 31, 2006
RCND Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-:
Page 1
Witness: Bourassa

Line No.		Rebuttal Adjusted at End of Test Year	Adjustment	Rejoinder Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 78,136,365	(15,434)	\$ 78,120,931
3				
4	Less:			
5	Accumulated			
6	Depreciation	23,732,066	1,403	23,733,469
7				
8	Net Utility Plant			
9	in Service	\$ 54,888,882	-	\$ 54,387,462
10				
11	Less:			
12	Advances in Aid of			
13	Construction	10,225,334	-	10,225,334
14				
15	Contributions in Aid of			
16	Construction - Net	9,435,452	-	9,435,452
17				
18	Customer Meter Deposits	819,845	-	819,845
19	Deferred Income Taxes	925,896	-	925,896
20	Investment Tax Credits	-	-	-
21	Well Settlement Proceeds	646,000	-	646,000
22				
23	Plus:			
24	Unamortized Debt Issuance			
25	Costs	424,010	-	424,010
26	Prepayments	-	-	-
27	Materials and Supplies	-	-	-
28	Deferred Regulatory Assets	-	-	-
29	Working capital	95,400	-	95,400
30				
31				
32	Total	\$ 33,355,766		\$ 32,854,345

SUPPORTING SCHEDULES:
Rejoinder B-3, page 2

RECAP SCHEDULES:
Rejoinder B-1

Chaparral City Water Company
Test Year Ended December 31, 2006
RCND Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-3
Page 2
Witness: Bourassa

Line No.	Rebuttal Adjusted at end of Test Year	1 GO PTY Plant	2 GO PTY A/D	3 Intentionally Left Blank	4 Intentionally Left Blank	5 Intentionally Left Blank	6 Intentionally Left Blank	Rejoinder Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	\$ 78,136,365	\$ (15,434)					\$ 78,120,931
3	Less:							
4								
5								
6	Accumulated							
7	Depreciation	23,732,066		1,403				23,733,469
8								
9	Net Utility Plant							
10	in Service	\$ 54,404,299						\$ 54,387,462
11	Less:							
12	Advances in Aid of							
13	Construction	10,225,334						10,225,334
14								
15								
16	Contributions in Aid of							
17	Construction - Net	9,435,452						9,435,452
18								
19	Customer Meter Deposits	819,845						819,845
20	Deferred Income Taxes	925,896						925,896
21	Investment Tax Credits	-						-
22	Well Settlement Proceeds	646,000						646,000
23								
24	Plus:							
25	Unamortized Debt Issuance							
26	Costs	424,010						424,010
27	Prepayments	-						-
28	Materials and Supplies	-						-
29	Deferred Regulatory Assets	-						-
30	Working capital	95,400						95,400
31								
32								
33	Total	\$ 32,871,183	\$ (15,434)	\$ 1,403	\$ -	\$ -	\$ -	\$ 32,854,345
34								
35								
36								
37								
38								
39								

SUPPORTING SCHEDULES:
Rejoinder B-3, pages 3-6

Exhibit
Rejoinder Schedule B-3
Page 3
Witness: Bourassa

[illegible]

Exhibit
Rejoinder Schedule B-3
Page 4
Witness: Bourassa

GO RCN Accumulated Depreciation per Direct Filing
Increase (Decrease) in GO RCN Accumulated Depreciation
Adjustment to GO RCN Accumulated Depreciation
SUPPORTING SCHEDULES
RUCO RCN Adj. #11 Schedule TJC-25

Chaparral City Water Company
Test Year Ended December 31, 2006
Computation of Working Capital

Exhibit
Rejoinder Schedule B-5
Page 1
Witness: Bourassa

Line

No.

1		
2	Cash Working Capital	\$ (111,606)
3	Prepayments	192,485
4	Materials and Supplies	14,521
5		
6		
7		
8		
9	Total Working Capital Allowance	<u>\$ 95,400</u>
10		
11		
12	Working Capital Requested	<u>\$ 95,400</u>
13		
14		
15	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
16	RUCO Lead-Lag Study	Rejoinder B-1
17	E-1	Rejoinder B-2
18		
19		
20		

Chaparral City Water Company
Test Year Ended December 31, 2006
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 1
Witness: Bourassa

Line No.		Rebuttal Test Year Adjusted Results	Rejoinder Adjustments	Test Year Rejoinder Adjusted Results	Proposed Rate Increase	Rejoinder Adjusted with Rate Increase
1	Revenues					
2	Metered Water Revenues	\$ 7,422,721	\$ -	\$ 7,422,721	\$ 2,905,731	\$ 10,328,452
3	Unmetered Water Revenues	-	-	-	-	-
4	Other Water Revenues	82,289	-	82,289	-	82,289
5		<u>\$ 7,505,010</u>	<u>\$ -</u>	<u>\$ 7,505,010</u>	<u>\$ 2,905,731</u>	<u>\$ 10,410,741</u>
6	Operating Expenses					
7	Salaries and Wages	\$ 969,244	-	\$ 969,244	-	\$ 969,244
8	Purchased Water	821,470	-	821,470	-	821,470
9	Purchased Power	614,600	-	614,600	-	614,600
10	Chemicals	127,457	-	127,457	-	127,457
11	Repairs and Maintenance	61,392	-	61,392	-	61,392
12	Office Supplies and Expense	19,800	-	19,800	-	19,800
13	Outside Services	228,495	(71,000)	157,495	-	157,495
14	Water Testing	25,638	-	25,638	-	25,638
15	Rents	-	-	-	-	-
16	Transportation Expenses	70,430	-	70,430	-	70,430
17	Insurance - General Liability	(1,294)	1,294	-	-	-
18	Insurance - Health and Life	-	-	-	-	-
19	Reg. Commission Exp. - Rate Case	179,504	-	179,504	-	179,504
20	Miscellaneous Expense	1,298,112	(950)	1,297,162	-	1,297,162
21	Depreciation Expense	1,543,944	(732)	1,543,212	-	1,543,212
22	Amortization of Well Settlement	(76,000)	-	(76,000)	-	(76,000)
23	Amortization of CAP	-	-	-	-	-
24	Taxes Other Than Income	47,873	-	47,873	-	47,873
25	Property Taxes	251,493	(864)	250,629	-	250,629
26	Income Tax	382,609	32,637	415,246	1,121,580	1,536,826
27	Total Operating Expenses	<u>\$ 6,564,766</u>	<u>\$ (39,616)</u>	<u>\$ 6,525,151</u>	<u>\$ 1,121,580</u>	<u>\$ 7,646,730</u>
28	Operating Income	<u>\$ 940,244</u>	<u>\$ 39,616</u>	<u>\$ 979,859</u>	<u>\$ 1,784,152</u>	<u>\$ 2,764,011</u>
29	Other Income (Expense)					
30	Interest Income	-	-	-	-	-
31	Other income (loss)	-	-	-	-	-
32	Interest Expense	(368,024)	48,717	(319,307)	-	(319,307)
33	Other Expense	-	-	-	-	-
34		-	-	-	-	-
35	Total Other Income (Expense)	<u>\$ (368,024)</u>	<u>\$ 48,717</u>	<u>\$ (319,307)</u>	<u>\$ -</u>	<u>\$ (319,307)</u>
36	Net Profit (Loss)	<u>\$ 572,219</u>	<u>\$ 88,333</u>	<u>\$ 660,552</u>	<u>\$ 1,784,152</u>	<u>\$ 2,444,704</u>

SUPPORTING SCHEDULES:
Rebuttal C-1, page 2

RECAP SCHEDULES:
Rebuttal A-1

Chaparral City Water Company
Test Year Ended December 31, 2006
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 2
Witness: Bourassa

Line No.	Revenues	1 Rebuttal Adjusted Results	2 Depreciation	3 Property Taxes	4 Outside Services	5 Insurance	6 Misc. Expense	7 Interest Synch.	8 Income Taxes	9 Rejoinder Adjusted Results	10 Proposed Rate Increase	11 Rejoinder Adjusted with Rate Increase
1	Metered Water Revenues	\$ 7,422,721								\$ 7,422,721	\$ 2,905,731	\$ 10,328,452
2	Unmetered Water Revenues											
3	Other Water Revenues											
4												
5		\$ 82,289								\$ 82,289		\$ 82,289
6	Operating Expenses									\$ 7,505,010	\$ 2,905,731	\$ 10,410,741
7	Salaries and Wages	\$ 969,244								\$ 969,244		\$ 969,244
8	Purchased Water	821,470								821,470		821,470
9	Purchased Power	614,600								614,600		614,600
10	Chemicals	127,457								127,457		127,457
11	Repairs and Maintenance	61,392								61,392		61,392
12	Office Supplies and Expense	19,800								19,800		19,800
13	Outside Services	228,495			(71,000)					157,495		157,495
14	Water Testing	25,638								25,638		25,638
15	Rents											
16	Transportation Expenses	70,430								70,430		70,430
17	Insurance - General Liability	(1,294)				1,294						
18	Insurance - Health and Life											
19	Reg. Comm. Exp. - Rate Case	179,504								179,504		179,504
20	Miscellaneous Expense	1,298,112					(950)			1,297,162		1,297,162
21	Depreciation Expense	1,543,944	(732)							1,543,212		1,543,212
22	Amortization of Well Settlement	(76,000)								(76,000)		(76,000)
23	Amortization of CAP											
24	Taxes Other Than Income	47,873								47,873		47,873
25	Property Taxes	251,493								250,629		250,629
26	Income Tax	382,609								415,246	1,121,580	1,536,826
27	Total Operating Expenses	\$ 6,564,766	\$ (732)	\$ (864)	\$ (71,000)	\$ 1,294	\$ (950)	\$ -	\$ 32,637	\$ 6,525,151	\$ 1,121,580	\$ 7,646,730
28	Operating Income	\$ 940,244	\$ 732	\$ 864	\$ 71,000	\$ (1,294)	\$ 950	\$ -	\$ (32,637)	\$ 979,859	\$ 1,784,152	\$ 2,764,011
29	Other Income (Expense)											
30	Interest Income											
31	Other income (loss)											
32	Interest Expense											
33	Other Expense											
34												
35	Total Other Income (Expense)	\$ (368,024)								\$ (319,307)		\$ (319,307)
36	Net Profit (Loss)	\$ 572,219	\$ 732	\$ 864	\$ 71,000	\$ (1,294)	\$ 950	\$ 48,717	\$ (32,637)	\$ 660,552	\$ 1,784,152	\$ 2,444,704

SUPPORTING SCHEDULES:
Rejoinder C-2

RECAP SCHEDULES:
Rejoinder A-1

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustments to Revenues and Expenses

Exhibit
Rejoinder Schedule C-2
Page 1
Witness: Bourassa

Line No.	Adjustments to Revenues and Expenses					
	1 Depreciation Expense	2 Property Taxes	3 Outside Services	4 Misc. Expense	5 Insurance	6 Interest Synchronization
2 Revenues						
3 Expenses	(732)	(864)	(71,000)	1,294		(71,303)
4						
5						
6						
7 Operating Income	732	864	71,000	(1,294)	-	71,303
8						
9						
10 Interest Expense					(950)	(950)
11 Other						
12 Income / Expense						-
13						
14						
15						
16 Net Income	732	864	71,000	(1,294)	(950)	70,353
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						

Line No.	Adjustments to Revenues and Expenses					
	7 Interest Synchronization	8 Income Tax	9 Intentionally Left Blank	10 Intentionally Left Blank	11 Intentionally Left Blank	12 Intentionally Left Blank
21 Revenues						
22 Expenses						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rejoinder Schedule C-2
Page 2
Witness: Bourassa

Line No.	Depreciation Expense	Rejoinder Adjusted Original Cost	B-2 Rejoinder Adj. #1	Intentionally Left Blank	Rejoinder Original Cost	Dep'r Rate	Rejoinder Depreciation Expense
1							
2	Acct.						
3							
4	No. Description						
5	301 Organization Cost	-			-	0.00%	-
6	302 Franchise Cost	1,551,858			1,551,858	0.00%	-
7	303 Land and Land Rights	1,529,642			1,529,642	3.33%	50,937
8	304 Structures and Improvements	-			-	2.50%	-
9	305 Collecting and Impounding Res.	-			-	2.50%	-
10	306 Lake River and Other Intakes	159,927			159,927	3.33%	5,316
11	307 Wells and Springs	-			-	6.67%	-
12	308 Infiltration Galleries and Tunnels	-			-	2.00%	-
13	309 Supply Mains	-			-	5.00%	-
14	310 Power Generation Equipment	1,588,246			1,588,246	12.50%	198,531
15	311 Electric Pumping Equipment	5,786,639			5,786,639	3.33%	192,895
16	320 Water Treatment Equipment	6,512,148			6,512,148	2.22%	144,570
17	330 Dist. Reservoirs & Standpipe	18,953,054			18,953,054	2.00%	379,061
18	331 Trans and Dist Mains	7,496,338			7,496,338	3.33%	249,628
19	333 Services	2,736,866			2,736,866	8.33%	227,981
20	334 Meters	1,224,965			1,224,965	2.00%	24,500
21	335 Hydrants	-			-	6.67%	-
22	336 Backflow Prevention Devices	-			-	6.67%	-
23	339 Other Plant and Misc Equipment	1,760,446			1,760,446	6.67%	117,422
24	340 Office Furniture and Fixtures	272,173			272,173	18.154	18,154
25	341 Transportation Equipment	535,315			535,315	20.00%	107,063
26	342 Stores Equipment	-			-	4.00%	-
27	343 Tools and Work Equipment	149,365			149,365	5.00%	7,468
28	344 Laboratory Equipment	-			-	10.00%	-
29	345 Power Operated Equipment	39,105			39,105	5.00%	-
30	346 Communications Equipment	0			0	10.00%	3,911
31	347 Miscellaneous Equipment	-			-	10.00%	0
32	348 Other Tangible Plant	-			-	10.00%	-
33	Rounding	(3)			(3)		-
34	TOTALS	\$ 50,295,805	\$ -	\$ -	\$ 50,295,805		\$ 1,777,235
35							
36	General Office Plant Allocated						
37	301 Organization	461			461	0.00%	-
38	302 Franch. and Other Intangibles	18,739			14,284	0.00%	-
39	304 Structures and Improvements	139,512	(4,454)		139,512	3.33%	4,646
40	311 Electric Pumping Equipment	(26)			(26)	12.50%	-
41	339 Other Plant and Equipment	23,727			23,727	3.33%	780
42	340 Office Furniture and Equipment	398,525	(10,980)		388,545	6.67%	25,904
43	341 Transportation Equipment	7,904			7,904	20.00%	-
44	343 Tools and Work Equipment	11,358			11,358	5.00%	568
45	344 Laboratory Equipment	114			114	10.00%	11
46	346 Communication Equipment	4,636			4,636	10.00%	-
47	345 Power Operated Equipment	6,979			6,979	5.00%	-
48	Totals GO Plant	\$ 612,828	\$ (15,435)	\$ -	\$ 597,394		\$ 31,919
49							
50	Totals Plant-in-Service	\$ 50,908,633	\$ -	\$ -	\$ 50,863,199		
51							
52	Less: Amortization of CIAC	\$ 6,288,097			6,288,097	3.4342%	\$ (215,943)
53							
54	Total Depreciation Expense						\$ 1,543,212
55							
56	Direct Filing Depreciation Expense						\$ 1,543,944
57							(732)
58	Increase (decrease) in Depreciation Expense						
59							
60	Adjustment to Revenues and/or Expenses						\$ (732)
61							
62	* Fully depreciated						

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Rejoinder Schedule C-2
Page 3
Witness: Bourassa

Line
No.

1	Property Taxes:	
2		
3	Rebuttal Adjusted Revenues in year ended 12/31/06	\$ 7,505,010
4	Rebuttal Adjusted Revenues in year ended 12/31/06	7,505,010
5	Proposed Revenues	<u>10,410,741</u>
6	Average of three year's of revenue	\$ 8,473,587
7	Average of three year's of revenue, times 2	\$ 16,947,174
8	Add:	
9	Construction Work in Progress at 10%	\$ -
10	Deduct:	
11	Book Value of Transportation Equipment	<u>474,679</u>
12		
13	Full Cash Value	\$ 16,472,496
14	Assessment Ratio	<u>22%</u>
15	Assessed Value	3,623,949
16	Property Tax Rate	6.9159%
17		
18	Property Tax	250,629
19	Tax on Parcels	0
20		
21	Total Property Tax at Proposed Rates	\$ 250,629
22	Property Taxes in the test year	<u>251,493</u>
23	Change in Property Taxes	<u>\$ (864)</u>
24		
25		
26	Adjustment to Revenues and/or Expenses	<u>\$ (864)</u>
27		
28		

Chaparral City Water Company
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rejoinder Schedule C-2
Page 4
Witness: Bourassa

Line

No.

1	<u>Remove Outside Services Expense</u>	
2		
3		
4	RUCO Adjustment #6 (Schedule TJC-37)	\$ (71,000)
5		
6		
7		
8		
9	Increase (decrease) in Outside Services	<u>\$ (71,000)</u>
10		
11		
12		
13		
14	Adjustment to Revenue and/or Expense	<u>\$ (71,000)</u>
15		
16		
17		
18		
19		
20		
21		
22		
23		

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rejoinder Schedule C-2
Page 5
Witness: Bourassa

Line

No.

1	<u>Insurance</u>	
2		
3	Remove negative expense	\$ (1,294)
4		
5		
6		
7		
8	Increase (decrease) in Outside Services	<u>\$ 1,294</u>
9		
10		
11		
12		
13	Adjustment to Revenue and/or Expense	<u>\$ 1,294</u>
14		
15		
16		
17		
18		
19		
20		

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rejoinder Schedule C-2
Page 6
Witness: Bourassa

Line

No.

1 Miscellaneous Expense

2

3

4 Remove IOWUA lobbying expense (per Staff Adj. #4 Schedule MEM-17) \$ 950

5

6

7

8

9 Increase (decrease) in Outside Services \$ (950)

10

11

12

13

14 Adjustment to Revenue and/or Expense \$ (950)

15

16

17

18

19

20

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rejoinder Schedule C-2
Page 7
Witness: Bourassa

Line

No.

1	<u>Interest Synchronization</u>		
2			
3	Fari Value Rate Base	\$	27,751,114
4	Weighted cost of debt (from D-1) (short and long-term)		1.151%
5	Interest Expense per Rejoinder Filing	\$	319,307
6	Interest Expense per Rebuttal Filing		<u>368,024</u>
7			
8	Increase (decrease) in Interest Expense		<u>(48,717)</u>
9			
10	Adjustment to Revenues and/or Expense		<u><u>48,717</u></u>
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Chaparral City Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and/or Expenses
Adjustment Number 6

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Line

<u>No.</u>		<u>Rejoinder Adjusted</u>	<u>Rejoinder Adjusted with Rate Increase</u>
1	<u>Income Tax Computation</u>		
2			
3			
4			
5			
6			
7	Taxable Income	\$ 1,075,798	\$ 3,981,529
8			
9	Arizona Income Before Taxes	\$ 1,075,798	\$ 3,981,529
10			
11	Less Arizona Income Tax	\$ 74,962	\$ 277,433
12	Rate = 6.97%		
13	Arizona Taxable Income	\$ 1,000,837	\$ 3,704,097
14			
15	Arizona Income Taxes	\$ 74,962	\$ 277,433
16			
17	Federal Income Before Taxes	\$ 1,075,798	\$ 3,981,529
18			
19	Less Arizona Income Taxes	\$ 74,962	\$ 277,433
20			
21	Federal Taxable Income	\$ 1,000,837	\$ 3,704,097
22			
23	FEDERAL INCOME TAXES:		
24	15% BRACKET	\$ 7,500	\$ 7,500
25	25% BRACKET	\$ 6,250	\$ 6,250
26	34% BRACKET	\$ 8,500	\$ 8,500
27	39% BRACKET	\$ 91,650	\$ 91,650
28	34% BRACKET	\$ 226,384	\$ 1,145,493
29			
30	Federal Income Taxes	\$ 340,284	\$ 1,259,393
31			
32			
33	Total Income Tax	\$ 415,246	\$ 1,536,826
34			
35	Overall tax rate		38.60%
36			
37			
38	Income taxes per Rebuttal Filing	\$ 382,609	
39			
40	Increase (decrease) to Income Taxes	\$ 32,637	

Chaparral City Water Company
Test Year Ended December 31, 2006
Computation of Gross Revenue Conversion Factor

Exhibit
Rejoinder Schedule C-3
Page 1
Witness: Bourassa

Line		Percentage of Incremental Gross Revenues
No.	Description	
1	Federal Income Taxes	31.63%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	38.60%
9		
10	Operating Income % = 100% - Tax Percentage	61.40%
11		
12		
13		
14		
15	<u>1</u> = Gross Revenue Conversion Factor	
16	Operating Income %	1.6286
17		
18	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
19		Rejoinder A-1
20		

Chaparral City Water Company
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	3/4 Inch	Residential	\$ 3,455,850	\$ 4,617,269	\$ 1,161,419	33.61%	45.08%	42.24%
2	1 Inch	Residential	2,342,394	3,124,331	781,936	33.38%	30.56%	28.58%
3	1.5 Inch	Residential	31,414	41,908	10,494	33.40%	0.41%	0.38%
4	2 Inch	Residential	123,686	164,802	41,116	33.24%	1.61%	1.51%
5	3 Inch	Residential	10,012	13,325	3,313	33.09%	0.13%	0.12%
6								
7		Subtotal	5,963,356	7,961,635	1,998,278	33.51%	77.79%	72.84%
8								
9	3/4 Inch	Commercial	\$ 67,867	\$ 90,581	22,714	33.47%	0.89%	0.83%
10	1 Inch	Commercial	98,616	131,563	32,947	33.41%	1.29%	1.20%
11	1.5 Inch	Commercial	140,840	187,912	47,072	33.42%	1.84%	1.72%
12	2 Inch	Commercial	222,208	296,055	73,847	33.23%	2.90%	2.71%
13	3 Inch	Commercial	14,217	18,899	4,682	32.93%	0.19%	0.17%
14	4 Inch	Commercial	34,290	45,748	11,458	33.41%	0.45%	0.42%
15								
16		Subtotal	\$ 578,038	\$ 770,758	\$ 192,720	33.34%	7.54%	7.05%
17								
18	3/4 Inch	Industrial	\$ 304	\$ 406	\$ 102	33.67%	0.00%	0.00%
19	1 Inch	Industrial	272	363	91	33.26%	0.00%	0.00%
20	1.5 Inch	Industrial	328	437	109		0.00%	0.00%
21								
22		Subtotal	\$ 904	\$ 1,206	302	33.42%	0.01%	0.01%
23								
24	3/4 Inch	Irrigation	\$ 69,200	\$ 129,742	60,542	87.49%	0.90%	1.19%
25	1 Inch	Irrigation	178,745	347,410	168,666	94.36%	2.33%	3.18%
26	1.5 Inch	Irrigation	134,012	258,465	124,453		1.75%	2.36%
27	2 Inch	Irrigation	161,987	311,425	149,437	92.25%	2.11%	2.85%
28	4 Inch	Irrigation	152,769	320,083	167,314	109.52%	1.99%	2.93%
29	6 Inch	Irrigation	322,475	681,923	359,448	111.47%	4.21%	6.24%
30								
31		Subtotal	1,019,188	2,049,049	1,029,861	101.05%	13.30%	18.75%
32								
33	3/4 Inch	Construction	\$ 181	\$ 256	75	41.60%	0.00%	0.00%
34	1 Inch	Construction	1,357	2,309	952	70.16%	0.02%	0.02%
35	2 Inch	Construction	646	1,090	444	68.71%	0.01%	0.01%
36	3 Inch	Construction	18,826	35,262				
37	4 Inch	Construction	2,247	3,722	1,476	65.70%	0.03%	0.03%
38								
39		Subtotal	\$ 23,256	\$ 42,639	\$ 19,383	83.35%	0.30%	0.39%
40								
41	3 Inch	Fire Hydrant Meter (Irrigation)	\$ 65,878	\$ 87,537	21,660	32.88%	0.86%	0.80%
42	4 Inch	Fire Hydrant Meter (Irrigation)	9,178	12,248	3,071	33.46%	0.12%	0.11%
43								
44		Subtotal	\$ 75,055	\$ 99,786	24,731	32.95%	0.98%	0.91%
45								
46	3/4 inch	Fire Sprinkler	\$ 5,164	\$ 5,165	1	0.02%	0.07%	0.05%
47	1 Inch	Fire Sprinkler	244	245	1	0.52%	0.00%	0.00%
48	1.5 Inch	Fire Sprinkler	363	363	1	0.23%	0.00%	0.00%
49								
50		Subtotal	\$ 5,770	\$ 5,773	3	0.06%	0.08%	0.05%
51								
51	Total Revenues Before Annualization		\$ 7,665,568	\$ 10,930,847	\$ 3,265,278	42.60%	100.00%	100.00%
52								

Chaparral City Water Company
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rejoinder Schedule H-1
Page 2
Witness: Bourassa

Line No.			Revenue Annualization				Additional	Additional
		Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Bills to be Sold	Gallons to be Pumped (In 1,000's)
1								
2								
3	Meter							
4	Size							
5	3/4 Inch	Residential	\$ 2,317	\$ 3,096	779	33.63%	61	639
6	1 Inch	Residential	65,260	87,042	21,782	33.38%	1,415	13,151
7	1.5 Inch	Residential	860	1,147	287	33.41%	7	215
8	2 Inch	Residential	253	337	84	33.24%	1	72
9	3 Inch	Residential	1,790	2,383	593	33.13%	5	421
10								
11		Subtotal	\$ 70,480	\$ 94,007	23,526	33.38%	1,489	14,497
12								
13	3/4 Inch	Commercial	\$ (50)	\$ (67)	(17)	0.00%	(1)	(14)
14	1 Inch	Commercial	2,647	3,531	884	33.42%	38	704
15	1.5 Inch	Commercial	1,934	2,581	647	33.43%	12	551
16	2 Inch	Commercial	(778)	(1,037)	(259)	0.00%	(3)	(222)
17	3 Inch	Commercial	(206)	(274)	(68)	0.00%	(1)	(24)
18	4 Inch	Commercial	-	-	-	0.00%	-	-
19								
20		Subtotal	\$ 3,547	\$ 4,734	48,240	1360.21%	45	996
21								
22	3/4 Inch	Industrial	\$ -	\$ -	-	0.00%	-	-
23	1 Inch	Industrial	-	-	-	0.00%	-	-
24	1.5 Inch	Industrial	-	-	-	0.00%	-	-
25								
26		Subtotal	\$ -	\$ -	-	0.00%	-	-
27								
28	3/4 Inch	Irrigation	\$ 792	\$ 1,472	681	85.99%	21	324
29	1 Inch	Irrigation	6,585	12,741	6,156	93.49%	78	3,086
30	1.5 Inch	Irrigation	1,901	3,650	1,749	92.03%	12	869
31	2 Inch	Irrigation	-	-	-	0.00%	-	-
32	4 Inch	Irrigation	(101,269)	(218,453)	(117,184)	0.00%	(2)	(64,916)
33	6 Inch	Irrigation	(232,932)	(502,110)	(269,178)	0.00%	-	(148,914)
34								
35		Subtotal	\$ (324,924)	\$ (702,700)	(377,776)	116.27%	109	(209,550)
36								
37	3/4 Inch	Construction	\$ -	\$ -	-	0.00%	-	-
38	1 Inch	Construction	-	-	-	0.00%	-	-
39	2 Inch	Construction	-	-	-	0.00%	-	-
40	3 Inch	Construction	-	-	-	0.00%	-	-
41	4 Inch	Construction	-	-	-	0.00%	-	-
42								
43		Subtotal	\$ -	\$ -	-	0.00%	-	-
44								
45	3 Inch	Fire Hydrant Meter (Irrigation)	\$ -	\$ -	-	0.00%	-	-
46	4 Inch	Fire Hydrant Meter (Irrigation)	-	-	-	0.00%	-	-
47								
48		Subtotal	\$ -	\$ -	-	0.00%	-	-
49								
50	3/4 inch	Fire Sprinkler	\$ -	\$ -	-	0.00%	-	-
51	1 Inch	Fire Sprinkler	-	-	-	0.00%	-	-
52	1.5 Inch	Fire Sprinkler	-	-	-	0.00%	-	-
53								
54		Subtotal	\$ -	\$ -	-	0.00%	-	-
55								
56	Total Revenue Annualization		\$ (250,897)	\$ (603,859)	\$ (308,010)	0.00%	1,643	(194,058)
57								

Chaparral City Water Company
Test Year Ended December 31, 2006
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rejoinder Schedule H-1
Page 3
Witness: Bourassa

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1							
2							
3	Subtotal Metered Revenues	\$ 7,665,568	\$ 10,930,847	\$ 3,265,278	42.60%	100.00%	100.00%
4	Subtotal Revenue Annualization	(250,897)	(603,959)	(353,062.24)	140.72%	-3.27%	-5.53%
5	Total Metered Revenues	\$ 7,414,671	\$ 10,326,887	\$ 2,912,216	39.28%		
6							
7	Misc. Revenues	\$ 82,289	\$ 82,289	-	0.00%	1.07%	0.75%
8	Reconciling Amount to GL	8,050	1,565	(6,485)	-80.56%	0.11%	0.01%
9	Total Water Revenues	\$ 7,505,010	\$ 10,410,741	\$ 2,905,731	38.72%	0.00%	0.00%
10							
11							
12	<u>Revenue Reconciliation</u>						
13							
14	Revenue per bill count before revenue annualization	\$ 7,665,568					
15	Revenue per GL (metered water revenues)		7,673,618				
16	Difference	\$ (8,050)					
17	Difference %	-0.10%					
18	Tolerance %	0.50%					
19	Tolerance Amount + or -	\$ 38,368					
20							
21	Acceptable?		YES				
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
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49							
50							

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Bourassa

Line No.	Meter Size	Class	(a)	Average Bill		Proposed Increase		
			Average Number of Customers	Present	Proposed	Dollar	Percent	
			at 12/31/2006	Consumption	Rates	Rates	Amount	Amount
1	3/4 Inch	Residential	8,368	8,450	\$ 32.38	\$ 43.27	10.90	33.66%
2	1 Inch	Residential	4,000	10,095	48.14	64.21	16.07	33.38%
3	1.5 Inch	Residential	21	29,821	120.55	160.82	40.27	33.40%
4	2 Inch	Residential	39	72,924	256.77	342.12	85.35	33.24%
5	3 Inch	Residential	3	70,226	322.97	429.84	106.87	33.09%
6		Subtotal	12,431					
7								
8	3/4 Inch	Commercial	115	12,528	\$ 46.97	\$ 62.69	15.72	33.48%
9	1 Inch	Commercial	114	17,907	67.83	90.49	22.66	33.41%
10	1.5 Inch	Commercial	66	47,736	165.69	221.08	55.39	33.43%
11	2 Inch	Commercial	71	68,389	245.34	326.86	81.52	33.23%
12	3 Inch	Commercial	5	34,550	233.06	309.82	76.76	32.93%
13	4 Inch	Commercial	4	186,146	696.09	928.70	232.61	33.42%
14		Subtotal	375					
15								
16	3/4 Inch	Industrial	1	5,375	\$ 24.63	\$ 32.93	8.30	33.71%
17	1 Inch	Industrial	1	-	\$ 22.70	\$ 30.25	7.55	33.26%
18	1.5 Inch	Industrial	0	8,000	\$ 65.56	\$ 87.41	21.85	33.33%
19		Subtotal	2					
20								
21	3/4 Inch	Irrigation	145	16,732	\$ 39.70	\$ 74.44	34.73	87.49%
22	1 Inch	Irrigation	170	41,781	\$ 87.88	\$ 170.80	82.92	94.36%
23	1.5 Inch	Irrigation	68	76,173	\$ 164.23	\$ 316.75	152.52	92.87%
24	2 Inch	Irrigation	52	119,346	\$ 259.18	\$ 498.28	239.10	92.25%
25	4 Inch	Irrigation	4	1,813,070	\$ 3,055.39	\$ 6,401.67	3,346.28	109.52%
26	6 Inch	Irrigation	3	5,451,042	\$ 8,957.63	\$ 18,942.30	9,984.68	111.47%
27		Subtotal	442					
28								
29	3/4 Inch	Construction	1	959	\$ 15.10	\$ 21.37	6.28	41.60%
30	1 Inch	Construction	3	11,803	\$ 41.11	\$ 69.96	28.84	70.16%
31	2 Inch	Construction	0	36,000	\$ 129.16	\$ 217.91	88.74	68.71%
32	3 Inch	Construction	4	180,682	\$ 427.86	\$ 801.41	373.55	87.31%
33	4 Inch	Construction	1	94,500	\$ 374.42	\$ 620.40	245.98	65.70%
34		Subtotal	8					
35								
36	3 Inch	Fire Hydrant Meter (Irrigation)	26	26,121	\$ 211.82	\$ 281.47	69.65	32.88%
37	4 Inch	Fire Hydrant Meter (Irrigation)	1	516,917	\$ 1,529.63	\$ 2,041.41	511.78	33.46%
38		Subtotal	26					
39								
40	34 inch	Fire Sprinkler	43	3	\$ 10.01	\$ 10.01	0.00	0.02%
41	1 Inch	Fire Sprinkler	2	63	\$ 10.16	\$ 10.21	0.05	0.52%
42	1.5 Inch	Fire Sprinkler	3	28	\$ 10.07	\$ 10.09	0.02	0.23%
43		Subtotal	48					
44								
45								
46	Total		13,333					
47	(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.							

Chaparral City Water Company
Test Year Ended December 31, 2006
Customer Summary

Exhibit
Rejoinder Schedule H-2
Page 2
Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 12/31/2006		Median Consumption	Median Bill		Proposed Increase	
					Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	3/4 Inch Residential	8,368		5,500	\$ 24.94	\$ 33.35	8.41	33.70%
2	1 Inch Residential	4,000		7,500	41.60	55.48	13.88	33.37%
3	1.5 Inch Residential	21		21,500	99.58	132.83	33.25	33.39%
4	2 Inch Residential	39		51,500	202.78	270.05	67.27	33.17%
5	3 Inch Residential	3		83,000	355.16	472.81	117.65	33.13%
6	Subtotal	12,431						
7								
8	3/4 Inch Commercial	115		4,501	\$ 24.94	\$ 33.29	8.35	33.47%
9	1 Inch Commercial	114		5,500	36.56	48.75	12.19	33.35%
10	1.5 Inch Commercial	66		13,500	79.42	105.91	26.49	33.36%
11	2 Inch Commercial	71		21,500	127.18	169.13	41.95	32.98%
12	3 Inch Commercial	5		12,500	177.50	235.65	58.15	32.76%
13	4 Inch Commercial	4		79,500	427.34	569.94	142.60	33.37%
14	Subtotal	375						
15								
16	3/4 Inch Industrial	1		3,500	\$ 19.90	\$ 26.62	6.72	33.76%
17	1 Inch Industrial	1		-	\$ 22.70	\$ 30.25	7.55	33.26%
18	1.5 Inch Industrial	0		-	\$ 45.40	\$ 60.50	15.10	33.26%
19	Subtotal	2						
20								
21	3/4 Inch Irrigation	145		8,500	\$ 26.86	\$ 46.74	19.88	74.03%
22	1 Inch Irrigation	170		15,500	\$ 46.88	\$ 82.39	35.51	75.75%
23	1.5 Inch Irrigation	68		24,500	\$ 83.62	\$ 142.92	59.30	70.91%
24	2 Inch Irrigation	52		63,000	\$ 171.28	\$ 308.73	137.45	80.25%
25	4 Inch Irrigation	4		157,000	\$ 471.92	\$ 830.65	358.73	76.01%
26	6 Inch Irrigation	3		1,312,000	\$ 2,500.72	\$ 5,018.57	2,517.85	100.68%
27	Subtotal	442						
28								
29	3/4 Inch Construction	1		-	\$ 13.60	\$ 18.15	4.55	33.46%
30	1 Inch Construction	3		11,500	\$ 40.64	\$ 68.94	28.30	69.63%
31	2 Inch Construction	0		59,000	\$ 165.04	\$ 295.28	130.24	78.91%
32	3 Inch Construction	4		19,500	\$ 176.42	\$ 259.20	82.78	46.92%
33	4 Inch Construction	1		106,000	\$ 392.36	\$ 659.08	266.72	67.98%
34	Subtotal	8						
35								
36	3 Inch Fire Hydrant Meter (Irrigation)	26		9,500	\$ 169.94	\$ 225.56	55.62	32.73%
37	4 Inch Fire Hydrant Meter (Irrigation)	1		561,500	\$ 1,641.98	\$ 2,191.39	549.41	33.46%
38	Subtotal	26						
39								
40	3/4 inch Fire Sprinkler	43		-	\$ 10.00	\$ 10.00	-	0.00%
41	1 Inch Fire Sprinkler	2		-	\$ 10.00	\$ 10.00	-	0.00%
42	1.5 Inch Fire Sprinkler	3		-	\$ 10.00	\$ 10.00	-	0.00%
43	Subtotal	48						
44								
45								
46	Total	13,333						

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Chaparral City Water Company
Test Year Ended December 31, 2006
Present and Proposed Rates

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Bourassa

Line No.	Monthly Usage Charge for: Meter Size (All Zones and Classes):	Present Rates	Proposed Rates	Change	Percent Change
1	3/4 Inch	\$ 13.60	\$ 18.15	\$ 4.55	33.46%
2	1 Inch	22.70	30.25	7.55	33.26%
3	1 1/2 Inch	45.40	60.50	15.10	33.26%
4	2 Inch	73.00	96.80	23.80	32.60%
5	3 Inch	146.00	193.60	47.60	32.60%
6	4 Inch	227.00	302.50	75.50	33.26%
7	6 Inch	454.00	605.00	151.00	33.26%
8	8 Inch	730.00	1,119.25	389.25	53.32%
9	10 Inch	1,043.00	1,573.00	530.00	50.81%
10	12 Inch	1,980.00	2,783.00	803.00	40.56%
11					
12					
13	Fire Hydrants Basic Service	\$ -	-	-	0.00%
14					
15					
16	Fire Hydrants Used for Irrigation	\$ 146.00	\$ 194.88	48.88	33.48%
17					
18	Monthly Service Charge for Fire Sprinkler				
19	4 Inch or smaller	\$ 10.00	10.00	-	0.00%
20	6 Inch	10.00	10.00	-	0.00%
21	8 Inch	10.00	10.00	-	0.00%
22	10 Inch	10.00	10.00	-	0.00%
23	Larger than 10 Inch	10.00	10.00	-	0.00%
24					
25					
26	Gallons In Minimum (All Zones and Classes)	-	-	-	
27					
28					
29	Commodity Rates				
30	(Residential, Commercial, Industrial)				
31					
32	3/4 Inch Meter Residential	\$ 1.68	\$ 2.262	\$ 0.58	34.64%
33		\$ 2.52	\$ 3.364	\$ 0.84	33.49%
34		\$ 3.03	\$ 4.044	\$ 1.01	33.47%

(Per 1,000 gallons)

Block	Present Rate	Proposed Rate	Change	Percent Change
0 gallons to 3,000 gallons	1.68	2.262	0.58	34.64%
3,001 gallons to 9,000 gallons	2.52	3.364	0.84	33.49%
over 9,000 gallons	3.03	4.044	1.01	33.47%

Diablo Village Water Company
Test Year Ended December 31, 2006
Present and Proposed Rates

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Bourassa

Line No.	Commodity Rates (Residential, Commercial, Industrial)	Block	(Per 1,000 gallons)			Percent Change
			Present Rate	Proposed Rate	Change	
1						
2	3/4 Inch Meter Commercial and Industrial	0 gallons to 9000 gallons	\$ 2.52	\$ 3.364	\$ 0.844	33.49%
3		over 9,000 gallons	\$ 3.03	\$ 4.044	\$ 1.014	33.47%
4	1 Inch Meter	0 gallons to 24,000 gallons	\$ 2.52	\$ 3.364	\$ 0.844	33.49%
5		over 24,000 gallons	\$ 3.03	\$ 4.044	\$ 1.014	33.47%
6	1.5 Inch Meter	0 gallons to 60,000 gallons	\$ 2.52	\$ 3.364	\$ 0.844	33.49%
7		over 60,000 gallons	\$ 3.03	\$ 4.044	\$ 1.014	33.47%
8	2 Inch Meter	0 gallons to 100,000 gallons	\$ 2.52	\$ 3.364	\$ 0.844	33.49%
9		over 100,000 gallons	\$ 3.03	\$ 4.044	\$ 1.014	33.47%
10	3 Inch Meter	0 gallons to 225,000 gallons	\$ 2.52	\$ 3.364	\$ 0.844	33.49%
11		over 225,000 gallons	\$ 3.03	\$ 4.044	\$ 1.014	33.47%
12	4 Inch Meter	0 gallons to 350,000 gallons	\$ 2.52	\$ 3.364	\$ 0.844	33.49%
13		over 350,000 gallons	\$ 3.03	\$ 4.044	\$ 1.014	33.47%
14	6 Inch Meter	0 gallons to 725,000 gallons	\$ 2.52	\$ 3.364	\$ 0.844	33.49%
15		over 725,000 gallons	\$ 3.03	\$ 4.044	\$ 1.014	33.47%
16	8 Inch Meter	0 gallons to 1,125,000 gallons	\$ 2.52	\$ 3.364	\$ 0.844	33.49%
17		over 1,125,000 gallons	\$ 3.03	\$ 4.044	\$ 1.014	33.47%
18	10 Inch Meter	0 gallons to 1,500,000 gallons	\$ 2.52	\$ 3.364	\$ 0.844	33.49%
19		over 1,500,000 gallons	\$ 3.03	\$ 4.044	\$ 1.014	33.47%
20	12 Inch Meter	0 gallons to 2,250,000 gallons	\$ 2.52	\$ 3.364	\$ 0.844	33.49%
21		over 2,250,000 gallons	\$ 3.03	\$ 4.044	\$ 1.014	33.47%
22						
23						
24						
25						
26	Irrigation/Bulk	All gallons	\$ 1.56	\$ 3.364	\$ 1.804	115.64%
27						
28	Fire Hydrant Irrig./Construction	All gallons	\$ 1.56	\$ 3.364	\$ 1.804	115.64%
29						
30	Standpipe (Fire Hydrants)	All gallons	\$ 2.52	\$ 3.364	\$ 0.844	33.49%
31						
32	Fire Sprinklers	All gallons	\$ 2.52	\$ 3.364	\$ 0.844	33.49%
33						

Chaparral City Water Company
Changes in Representative Rate Schedules
Test Year Ended December 31, 2006

Exhibit
Rejoinder Schedule H-3
Page 3
Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	\$ 25.00	\$ 25.00
2	Establishment (After Hours)	\$ 35.00	\$ 35.00
3	Reconnection (Deliquent)	\$ 35.00	\$ 35.00
4	Reconnection (Deliquent and After Hours)	\$ 50.00	\$ 50.00
5	Meter Test	\$ 35.00	\$ 35.00
6	Deposit Requirement (Residential)	(a)	(a)
7	Deposit Requirement (None Residential Meter)	(a)	(a)
8	Hydrant Meter Deposit	\$ 50.00	\$ 50.00
9	Deposit Interest	(b)	(b)
10	Re-Establishment (With-in 12 Months)	(c)	(c)
11	Re-Establishment (After Hours)	(c)	(c)
12	NSF Check	\$ 25.00	\$ 25.00
13	Deferred Payment, Per Month	1.50%	1.50%
14	Meter Re-Read	\$ 25.00	\$ 25.00
15	Charge of Moving Customer Meter -		
16	Customer Requested per Rule R14-2-405B	Cost	Cost
17	After hours service charge, per Rule R14-2-403D	Refer to	Refer to
18		Above	Above
19		Charges	Charges
20	Late Charge per month	1.5%	1.5%
21	Off-site Facilities Hook-up Fee (See H-3, page 5)	(d)	(d)
22			
23			
24	(a) <u>Residential</u> - two times the average bill. <u>Non-residential</u> - two and one-half times the average bill.		
25	(b) Interest per Rule R14-2-403(B).		
26	(c) Minimum charge times number of full months off the system. per Rule R14-2-403(D).		
27	(d) New water installations. May be assessed only once per parcel, service connection, or lot within a sub-		
28	division. Purpose is to equitably apportion the costs of constructing additional off-site facilities to provide		
29	water production, delivery, storage, and pressure among all new service connections.		
30			
31			
32			
33			
34	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
35	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
36	TAX. PER COMMISSION RULE 14-2-409D(5).		
37	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
38	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.		
39			
40			
41			

Chaparral City Water Company
Test Year Ended December 31, 2006
Meter and Service Line Charges

Exhibit
Rejoinder Schedule H-3
Page 4
Witness: Bourassa

Line

No.

1

2 **Meter and Service Line Charges**

3

4

5

6

7

8

	Present Service Line Charge	Present Meter Install- ation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Install- ation Charge	Total Proposed Charge
9 5/8 x 3/4 Inch	\$ 385.00	\$ 135.00	\$ 520.00	\$ 385.00	\$ 135.00	\$ 520.00
10 3/4 Inch	385.00	215.00	600.00	385.00	215.00	600.00
11 1 Inch	435.00	255.00	690.00	435.00	255.00	690.00
12 1 1/2 Inch	470.00	465.00	935.00	470.00	465.00	935.00
13 2 Inch / Turbine	630.00	965.00	1,595.00	630.00	965.00	1,595.00
14 2 Inch / Compound	630.00	1,690.00	2,320.00	630.00	1,690.00	2,320.00
15 3 Inch / Turbine	805.00	1,470.00	2,275.00	805.00	1,470.00	2,275.00
16 3 Inch / Compound	845.00	2,265.00	3,110.00	845.00	2,265.00	3,110.00
17 4 Inch / Turbine	1,170.00	2,350.00	3,520.00	1,170.00	2,350.00	3,520.00
18 4 Inch / Compound	1,230.00	3,245.00	4,475.00	1,230.00	3,245.00	4,475.00
19 6 Inch / Turbine	1,730.00	4,545.00	6,275.00	1,730.00	4,545.00	6,275.00
20 6 Inch / Compound	1,770.00	6,280.00	8,050.00	1,770.00	6,280.00	8,050.00
21 8 Inch & Larger	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

22

23

24

25 N/T = No Tariff

26

27

28

29

30

31

32

33

Chaparral City Water Company
Test Year Ended December 31, 2006
Hook-Up Fees

Exhibit
Rejoinder Schedule H-3
Page 5
Witness: Bourassa

Line

No.

1

2 Off-site Facilities Hook-up Fee

3

4

5

6 5/8 x 3/4 Inch

	Present	Proposed
	<u>Charge</u>	<u>Charge</u>
\$	1,000	\$ 1,000
	1,500	1,500
	2,500	2,500
	5,000	5,000
	8,000	8,000
	16,000	16,000
	25,000	25,000
	50,000	50,000

7 3/4 Inch

8 1 Inch

9 1 1/2 Inch

10 2 Inch

11 3 Inch

12 4 Inch

13 6 Inch or larger

14

15

16

17

18

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Phoenix, Arizona 85012
4 Attorneys for Chaparral City Water Company
5
6

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**
8

9 IN THE MATTER OF THE APPLICATION
10 OF CHAPARRAL CITY WATER
COMPANY, INC., AN ARIZONA
11 CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
12 OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN
13 ITS RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO: W-02113A-07-0551

14
15
16 **REBUTTAL TESTIMONY**
17 **OF**
18 **ROBERT J. SPROWLS**
19
20
21
22
23
24
25
26

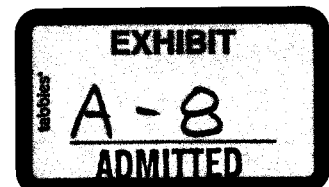


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II. CCWC'S FINANCIAL PERFORMANCE.....	3

2127952.1

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY.**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. Robert J. Sprowls, 630 East Foothill Boulevard, San Dimas, California 91773.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Golden State Water Company ("GSWC"). Currently, I am
6 Executive Vice President-Finance, Chief Financial Officer, and Corporate
7 Secretary of American States Water Company ("AWR"), Golden State Water
8 Company ("GSWC"), and Chaparral City Water Company ("CCWC" or
9 "Company"). In July 2008, I was named as the next President and Chief Executive
10 Officer of AWR and its subsidiaries. I will assume my new position on January 1,
11 2009. I have been employed by GSWC since June 2004.

12 **Q. ON WHOSE BEHALF ARE YOU PROVIDING REBUTTAL TESTIMONY**
13 **IN THIS PROCEEDING?**

14 A. On behalf of the Applicant, Chaparral City Water Company ("CCWC" or the
15 "Company").

16 **Q. DESCRIBE GSWC AND ITS RELATIONSHIP TO CCWC.**

17 A. GSWC is an affiliate of CCWC. Both CCWC and GSWC are wholly-owned by
18 AWR. GSWC is AWR's principal subsidiary. It provides water utility service to
19 approximately 250,000 customers in 75 communities in California, and electric
20 service to approximately 23,000 customers in the Big Bear Lake area in the San
21 Bernardino mountains.

22 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES IN YOUR CURRENT**
23 **POSITION.**

24 A. I have responsibility for all financial, accounting, and tax matters relating to AWR
25 and its subsidiaries, including CCWC. In addition, the Internal Audit and Risk
26 Management Departments report to me.

1 **Q. WHAT WAS YOUR WORK HISTORY BEFORE JOINING GSWC?**

2 A. Prior to joining GSWC, I was employed for 21 years by CILCORP Inc.
3 ("CILCORP") and its subsidiaries. During my career at CILCORP, I held several
4 positions, the most notable of which included Treasurer and Vice President of
5 CILCORP; Chief Financial Officer of CILCORP's non-regulated subsidiary QST
6 Enterprises Inc; and Treasurer, Vice President of Strategic Services, Chief
7 Financial Officer, and Business Unit Leader – Energy Delivery for CILCORP
8 subsidiary Central Illinois Light Company ("CILCO"). My last position at
9 CILCORP was President of CILCO. CILCO is an electric and gas utility with
10 approximately 1,200 MW of electric generation. QST Enterprises operated
11 companies in the following markets: non-regulated retail and wholesale electricity
12 and natural gas; environmental and engineering services; and telecommunications.

13 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.**

14 A. I hold a Bachelor of Arts degree in Economics and Business Administration from
15 Knox College and a Master of Business Administration degree with a
16 concentration in Accounting and Finance from Bradley University.

17 **Q. DO YOU HAVE ANY ADDITIONAL TRAINING, LICENSING OR**
18 **CERTIFICATIONS?**

19 A. I also hold the Certified Public Accountant (CPA) and Certified Management
20 Accountant (CMA) designations.

21 **Q. DID YOU PREVIOUSLY PROVIDE TESTIMONY ON BEHALF OF CCWC**
22 **IN THIS CASE?**

23 A. No.

24 **Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?**

25 A. The purpose of my testimony is to discuss, in very general terms, AWR's concerns
26 over the financial performance of CCWC and some of the positions taken by some

1 parties in this proceeding regarding CCWC's financial performance and its need
2 for rate relief. In so doing, I assume that all the parties to this rate case and the
3 Commission agree that it is extremely important to authorize rates that will
4 generate sufficient earnings and allow CCWC to attract capital needed to ensure
5 safe and reliable utility service. My testimony will address only this subject.

6 **II. CCWC'S FINANCIAL PERFORMANCE.**

7 **Q. MR. SPROWLS, PLEASE SUMMARIZE YOUR CONCERNS**
8 **REGARDING CCWC'S FINANCIAL PERFORMANCE.**

9 A AWR's management is very concerned about CCWC's ability (1) to obtain an
10 adequate authorized rate of return that is sufficient to attract capital investment, and
11 (2) to actually earn the rate of return authorized by this Commission. Regarding
12 the first point (obtaining an adequate rate of return), the Company has requested a
13 return on equity of 11.5 percent in this application. Rebuttal Testimony of Thomas
14 J. Bourassa (Cost of Capital) at 3-4. For the reasons explained by Mr. Bourassa,
15 we believe that this ROE will enable CCWC to attract capital to invest in the
16 system.

17 Equally important as the need to obtain an adequate rate of return is AWR's
18 second concern, namely, that CCWC must be able to actually earn its authorized
19 rate of return. Unfortunately, the reality is that CCWC is not currently earning its
20 authorized rate of return and if it were a stand-alone company, it is doubtful that it
21 would be able to attract either debt or equity. Moreover, since the last rate case
22 was decided in September 2005, CCWC has earned less than its authorized rate of
23 return every year. Based on year-end financial statements, even after removing
24 goodwill from the equity balance, CCWC's return on equity was 3.47% for 2006
25 and 3.04% for 2007. See Audited Financials 2006 and 2007 at Sprowls Rebuttal
26

1 **Exhibit 1.** We don't anticipate that CCWC will earn its authorized return in 2008
2 either.

3 In our view, this inability to earn at the authorized level is largely a
4 consequence of using an historical test year with no allowance for out-of-period
5 adjustments; the use of historic averaging to reduce operating expenses below
6 current levels; disallowing adjustment mechanisms for expenses like purchased
7 water and power that have been steadily increasing; and setting rates of return that
8 are lower than most.

9 **Q. WHAT IS THE PRACTICAL IMPACT OF CCWC'S FINANCIAL**
10 **CIRCUMSTANCES?**

11 A. CCWC's ability to attract capital is diminishing. This can be seen in the
12 Company's 2009 capital budget, which shows a capital budget for CCWC of
13 approximately \$800,000. This is substantially less than CCWC's recent capital
14 budgets. I expect this trend of reducing capital investments in CCWC will
15 continue unless something changes in Arizona. The implication of these reduced
16 capital budgets is that only those projects that are absolutely necessary to maintain
17 public health standards and serve customers will be undertaken.

18 **Q. DOESN'T CCWC HAVE AN OBLIGATION TO INVEST THE CAPITAL**
19 **NECESSARY TO ENSURE SAFE AND RELIABLE WATER UTILITY**
20 **SERVICE TO ITS CUSTOMERS?**

21 A. Yes, and CCWC is clearly meeting that obligation. We have no intention of
22 allowing CCWC's service to deteriorate to the point at which it is failing to meet
23 minimum service requirements and applicable legal and regulatory standards.
24 There is a difference, however, between simply maintaining the required minimum
25 level of service and investing on a proactive basis to ensure that higher quality
26 service can be continually ensured into the future. An inefficient investment

1 strategy is to only repair facilities when repairs are absolutely necessary versus the
2 value added in preventative maintenance and prudent capital planning and
3 spending. In the long run, it is more costly to rate payers to maintain the system at
4 minimum levels.

5 **Q. CAN YOU PROVIDE AN EXAMPLE OF AN EFFICIENT AND**
6 **PROACTIVE INVESTMENT APPROACH?**

7 A. Yes. A good example of the Company meeting its responsibility is CCWC's recent
8 acquisition of an additional allocation of Central Arizona Project ("CAP") water.
9 We invested \$1.28 million to acquire the right to additional, renewable surface
10 water from the Colorado River, which provides greater assurance regarding the
11 long-term availability of water for CCWC's customers while promoting the State's
12 policy of promoting sustainable groundwater use. We were not required to make
13 this investment. We did so to be proactive and to protect CCWC's customers in
14 the event of a drought or other events that cause a reduction in the availability of
15 Colorado River. RUCO, however, recommends that CCWC be denied any
16 recovery on this investment. If RUCO's position were adopted, we would be
17 penalized for looking out for the long-term interests of CCWC's customers and the
18 community of Fountain Hills. The message would be that we should not have
19 made the investment necessary to secure additional Colorado River water, and
20 instead should rely on groundwater pumping if shortages occur. In addition, even
21 if the Commission rejects RUCO's position and does allow CCWC to include the
22 investment in CAP water into CCWC's ratebase, the Commission still needs to
23 take steps to ensure that CCWC will actually have the opportunity to earn its
24 authorized rate of return on its investment. Without that opportunity, AWR will be
25 hesitant to make future investments of this nature despite the positive benefits to
26 our customers.

1 Q. YOU HAVE INDICATED THAT YOU HAVE CONCERNS WITH SOME
2 OF THE POSITIONS TAKEN BY VARIOUS PARTIES IN THIS
3 PROCEEDING REGARDING CCWC'S NEED FOR RATE RELIEF.
4 COULD YOU PLEASE ELABORATE ON THIS CONCERN?

5 A. Yes. I would like to begin by answering this question with reference to another
6 recent filing by RUCO in this docket. I understand that RUCO's job is to represent
7 residential consumers, but the divergence between RUCO's position and financial
8 reality exemplifies why we are concerned about the financial wellbeing of CCWC.

9 Specifically, in its response to CCWC's request for interim rate relief,
10 RUCO argued that there is no basis for interim relief and, moreover, that the
11 amount of CCWC's request was arbitrary. RUCO's Opposition to Motion for
12 Approval of Interim Rates at pp. 6-7. In support of this assertion, RUCO took
13 specific issue with CCWC's concern over its ability to attract capital:

14 The company claims that interim rates will improve its ability
15 to attract capital from its parent company. Motion, Direct
16 Testimony of Robert Hanford at 8. There is no question that
17 the Company's parent is in a position to infuse equity should
18 it deem it necessary for the Company. The Company's
19 parent, American States Water, had a recent market price of
20 \$33.80 compared to a 2008 book value of \$17.75 per share.
21 See attached Exhibit A - Value Line dated July 25, 2008. Its
22 earnings growth is projected to improve throughout next year
23 and it had higher adjusted earnings for 2007 compared to
24 2006. *Id.* and Exhibit B - American State's Water's
25 Shareholder's Report. American States Water's projected
26 return on equity for 2009 is 11% and its dividends have
increased over the last 5 years. *Id.* Further, American States
Water's Standard and Poor's credit rating was upgraded in
August 2007 from "A-" with a "positive" outlook to "A" with
a "stable" outlook. *Id.* The Company's parent is financially
healthy and is a factor that the Commission should consider
in its analysis. [*Id.*]

1 Q. HOW DOES THIS ARGUMENT FROM RUCO ILLUSTRATE YOUR
2 CONCERNS?

3 A. In essence, RUCO appears to be taking the position that CCWC does not need to
4 raise a sufficient level of revenues from its own operations in order to attract
5 capital from investors because AWR can divert resources from its other operations.
6 This argument raises a couple of very serious concerns on my part.

7 First, RUCO's position is entirely contrary to basic economics. RUCO
8 would have AWR redirect capital from more profitable subsidiaries of AWR to
9 CCWC because CCWC is not able to generate enough revenues to attract capital
10 investors. This is completely counter-intuitive as evidenced by a simple question.
11 Namely, why would any investor divert its capital resources away from more
12 profitable investment opportunities in order to invest in an entity that is under-
13 performing? If CCWC were a stand-alone company, it is my opinion that it would
14 not be able to attract either debt or equity on its own.

15 RUCO needs to explain why AWR would invest in Arizona (where we are
16 earning returns on equity somewhere less than 3.5%) when, as RUCO itself noted,
17 we have the opportunity to earn a much higher return on our investments in
18 California? RUCO may be correct that AWR has capital available to invest, but
19 that fact alone does not mean that AWR can or will invest those funds in CCWC.
20 RUCO's simplistic viewpoint ignores the fact that the board of directors and
21 officers of AWR have a fiduciary obligation to maximize the return on invested
22 capital for AWR's shareholders.

23 The second concern with RUCO's position is the underlying (but unstated)
24 notion that AWR's profits from its operations in California should be subsidizing
25 CCWC's customers. That is clearly what RUCO is proposing. AWR is not a
26 charity. RUCO's position fails to recognize that we invest our shareholders'

1 capital with both an obligation to seek and an expectation of a return on our
2 investment. If we cannot realize that expectation on our investment, we will likely
3 have to seek recovery on that investment from other sources. It would be a very
4 dangerous precedent, if not flatly contrary to the obligation to provide a fair return
5 on rate base, for this Commission to adopt RUCO's position that California
6 ratepayers should subsidize CCWC's Arizona customers.

7 In summary, CCWC's need for rate relief should be based on CCWC's
8 financial circumstances, not GSWC's or AWR's as RUCO proposes.

9 **Q. DOESN'T SOUND INVESTMENT REQUIRE DIVERSIFICATION OF**
10 **INVESTMENTS TO HELP ALLEVIATE THE RISK OF ANY SINGLE**
11 **INVESTMENT?**

12 **A.** Yes, sound investment practice involves diversifying investments across a number
13 of investment opportunities. But implicit in this concept is the idea that each
14 investment carries with it the opportunity to earn an expected and reasonable level
15 of return commensurate with that investment's particular risk. Our recent
16 investment history in Arizona indicates that CCWC does not provide such an
17 opportunity. A sound diversification strategy does not include making good
18 investments in one area in order to offset bad investments in another area. Instead,
19 the goal is to avoid or sell bad investments.

20 **Q. SO FAR YOU HAVE SPOKEN PRIMARILY OF RUCO BEING OUT OF**
21 **TOUCH WITH FINANCIAL REALITY. HOW DOES THIS RELATE**
22 **MORE GENERALLY TO REGULATION OF INVESTOR-OWNED**
23 **UTILITIES IN ARIZONA?**

24 **A.** As I stated above, RUCO's arguments against the Company's request for interim
25 rate relief are illustrative of what appears to be the trend in Arizona – delay rate
26 relief as long as possible notwithstanding the utility's poor financial health.

1 CCWC's current financial circumstances and the present rate proceeding merely
2 further our concerns.

3 In this case, I understand that we are still six or seven months away from a
4 decision, even though CCWC's application was filed in September 2007. CCWC's
5 current rates are based on a test year that ended December 31, 2003 – more than
6 five years from when we can realistically hope to obtain rate relief in this case.
7 Meanwhile, CCWC's operating expenses have continued to increase, and the
8 Company has continued to invest in additional plant to ensure reliable service.
9 When new rates are finally approved in this case, CCWC will be two years behind
10 and have to file another rate case, just as CCWC was required to seek rate
11 increases based on a 2006 test year after receiving rate increases in September
12 2005.

13 **Q. HOW DO YOU SUGGEST THAT THE COMMISSION ADDRESS YOUR**
14 **CONCERNS, BOTH IN THIS CASE AND IN GENERAL?**

15 A. Put simply, the Commission needs to balance the interests of utility shareholders
16 and rate payers by timely providing rate relief that provides both an adequate return
17 on rate base and an adequate opportunity to actually earn that return. I respectfully
18 suggest the result of failing to do so is bad for the financial health of the regulated
19 utilities in Arizona.

20 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

21 A. Yes.
22
23
24
25
26

SPROWLS REBUTTAL

EXHIBIT 1

Chaparral City Water Company

**Financial Statements
December 31, 2006**

Chaparral City Water Company
Index
December 31, 2006

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PricewaterhouseCoopers LLP
350 South Grand Avenue
Los Angeles CA 90071
Telephone (213) 356 6000
Facsimile (813) 637 4444

Report of Independent Auditors

To the Board of Directors and Stockholder of
Chaparral City Water Company.

In our opinion, the accompanying balance sheet and statement of capitalization and the related statements of income, common stockholder's equity and cash flows present fairly, in all material respects, the financial position of Chaparral City Water Company (the "Company") at December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

April 26, 2007

Chaparral City Water Company

Balance Sheet

December 31, 2006

Assets	
Utility plant	\$ 51,020,714
Less: accumulated depreciation	(14,947,296)
Construction work in progress	2,241,397
Net utility plant	<u>38,314,815</u>
Other Property and Investments	
Goodwill	11,613,874
Restricted cash	728,061
	<u>12,341,935</u>
Current Assets	
Cash and cash equivalents	391,430
Restricted cash	13,261
Accounts receivable, net of allowance of \$25,483	350,897
Inter-company receivables from GSWC	31,050
Inter-company taxes receivable from AWR	1,022,857
Income tax receivable	3,031
Unbilled revenues	324,967
Materials and supplies	14,521
Prepaid expenses and other current assets	192,485
Deferred income taxes - current	35,751
Regulatory assets - current	71,000
Total current assets	<u>2,451,250</u>
Other Assets	
Debt issuance costs	<u>424,010</u>
Total assets	<u>\$ 53,532,010</u>
Capitalization and Liabilities	
Common stockholder's equity	\$ 26,179,180
Long-term debt, less current maturities	6,585,000
Total capitalization	<u>32,764,180</u>
Commitments and contingencies (Note 9)	
Current Liabilities	
Long-term debt, current	280,000
Accounts payable	308,239
Inter-company loan payable to AWR	1,400,000
Accrued employee expenses	85,679
Accrued property taxes	121,041
Accrued interest	34,790
Other	253,017
Total current liabilities	<u>2,483,766</u>
Other Credits	
Customer deposits	819,845
Advances for construction	6,557,243
Contributions in aid of construction, net	6,188,963
Deferred income taxes	4,070,137
Regulatory liabilities	587,825
Other	60,031
Total other credits	<u>18,284,064</u>
Total capitalization and liabilities	<u>\$ 53,532,010</u>

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company
Statement of Capitalization
December 31, 2006

Common stockholder's equity

Common stock, par value \$10; 2,500,000 shares authorized,

460,314 shares issued and outstanding

\$ 4,603,140

Additional paid-in capital

14,929,468

Retained earnings

6,646,572

26,179,180

Long-term debt

Industrial Development Authority Bonds

Series 1997A serial bonds, due 1998 through 2007 (4% to 4.85%)

240,000

Series 1997A term bonds, due December 1, 2011 (5.20%)

1,000,000

Series 1997A term bonds, due December 1, 2022 (5.40%)

4,610,000

Series 1997B term bonds, due December 1, 2022 (5.30%)

1,015,000

Total long-term debt

6,865,000

Less: current maturities

(280,000)

Long-term debt, less current maturities

6,585,000

Total capitalization

\$ 32,764,180

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company
Statement of Income
Year Ended December 31, 2006

Operating revenues	
Sales of water	<u>\$7,755,907</u>
Operating expenses	
Purchased water	934,095
Power purchased for pumping	618,039
Other operating expenses	756,952
General and administrative expenses	1,983,106
Maintenance	319,024
Depreciation	1,632,458
Property and other taxes	<u>286,304</u>
	<u>6,529,978</u>
Operating Income	<u>1,225,929</u>
Other income (expense)	
Interest income	64,397
Interest expense	<u>(543,433)</u>
	<u>(479,036)</u>
Income from operations before income tax expense	<u>746,893</u>
Income tax expense	<u>241,774</u>
Net income	<u>\$ 505,119</u>

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company
Statement of Changes in Common Stockholder's Equity
Year Ended December 31, 2006

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance, January 1, 2006	\$ 4,603,140	\$14,925,242	\$ 6,141,453	\$25,669,835
Net income			505,119	505,119
Stock-based awards	<u> — </u>	<u> 4,226 </u>	<u> — </u>	<u> 4,226 </u>
Balance, December 31, 2006	<u>\$ 4,603,140</u>	<u>\$14,929,468</u>	<u>\$ 6,646,572</u>	<u>\$26,179,180</u>

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company
Statement of Cash Flows
Year Ended December 31, 2006

Cash flows from operating activities	
Net income	\$ 505,119
Adjustments for non-cash items	
Depreciation	1,632,458
Provision for doubtful accounts	11,835
Deferred income taxes	(131,512)
Tax benefit on goodwill	226,869
Amortization of debt issuance costs	26,501
Impairment loss	91,835
Stock-based compensation expense	1,836
Changes in operating assets and liabilities	
Accounts receivable	59,275
Unbilled revenues	13,943
Materials and supplies	2,508
Prepaid expenses and other current assets	(19,837)
Taxes receivable	(146,153)
Regulatory assets/liabilities	21,481
Other assets	122,243
Accounts payable	(42,939)
Inter-company receivables/payables	34,934
Customer deposits	(107,177)
Other liabilities	131,300
Net cash flows provided by operating activities	<u>2,434,519</u>
Cash flows from investing activities	
Capital expenditures	(2,283,627)
Change in restricted cash	(4,481)
Change in debt reserve fund	(4,941)
Net cash flows used in investing activities	<u>(2,293,049)</u>
Cash flows from financing activities	
Tax benefits from exercise of stock-based awards	2,390
Receipt of advances for and contributions in aid of construction	1,099,205
Refunds on advances for construction	(488,128)
Net change in inter-company borrowings	(600,000)
Repayments of long-term debt	(340,309)
Net cash flows used in financing activities	<u>(326,842)</u>
Decrease in cash and cash equivalents	(185,372)
Cash and cash equivalents at beginning of year	<u>576,802</u>
Cash and cash equivalents at end of year	<u>\$ 391,430</u>
Supplemental disclosure of cash flow information	
Interest paid	\$ 475,211
Income tax paid, net of refunds	\$ 290,180

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

1. Summary of Significant Accounting Policies

Nature of Operations

Chaparral City Water Company ("CCWC") is a wholly owned subsidiary of American States Water Company ("AWR"). Prior to October 11, 2000, CCWC was a wholly owned subsidiary of MCO Properties Inc. ("MCO"). On October 10, 2000, AWR completed the acquisition of all the common stock of CCWC from MCO for an aggregate value of \$31.2 million, including assumption of approximately \$12 million in debt. The acquisition was accounted for as a purchase and the assets acquired and liabilities assumed have been recorded at their estimated fair values. CCWC is an Arizona public utility company engaged principally in the purchase, production, distribution and sale of water. The Company serves approximately 13,000 customers in Fountain Hills, Arizona and a portion of the City of Scottsdale, Arizona. Regulated by the Arizona Corporation Commission ("ACC"), CCWC is required to provide service and grant credit to customers within its defined service area.

Basis of Presentation

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect (i) the reported amount of assets and liabilities, (ii) disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and (iii) the reported amount of revenues and expenses recognized during each period presented. Actual results could differ from those estimates.

Regulatory Accounting

The Company's accounting policies conform to accounting principles generally accepted in the United States of America, including the accounting principles for rate-regulated enterprises, which reflect the rate-making policies of the ACC, and are maintained in accordance with the Uniform System of Accounts prescribed by the ACC. CCWC is subject to regulation by the ACC to the extent necessary to enable the ACC to determine that CCWC's rates constitute reasonable costs to its customers. Accordingly, CCWC is subject to the provisions of Statement of Financial Accounting Standards ("SFAS") No. 71, *Accounting for the Effects of Certain Types of Regulation*. CCWC does not use regulatory balancing accounts in its rate filings with the ACC, which would represent amounts due to or from its customers based on differences between actual costs and costs assumed in its rate structure, and accordingly, no such accounts are recorded in the accompanying financial statements. Deferred rate case expenses are capitalized as regulatory assets and amortized as specified by the ACC for rate-making purposes.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid money market instruments with original maturities of three months or less. At times, cash and cash equivalent balances may be in excess of federally insured limits. The Company's cash and cash equivalents are held with financial institutions with high credit standings.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

Restricted Cash

In accordance with the terms of its long-term debt agreements, CCWC is required to maintain amounts on deposit in a trust account (the Debt Service Reserve) for payment of principal and interest (Note 4). The funds in this account will be maintained until such time that the terms of the financing agreement are fully satisfied. These amounts are classified as "restricted cash" in the balance sheet.

At December 31, 2006, CCWC held \$13,261 of restricted cash representing interest earned in excess of the required balance on the Debt Service Reserve related to the Industrial Development Authority. In accordance with the requirements of the bond indenture, this balance can only be used to pay the next regularly scheduled debt payment.

Accounts Receivable

Accounts receivable is reported on the balance sheet net of any allowance for doubtful accounts. The allowance is based on CCWC's evaluation of the receivable portfolio under current conditions and review of specific problems and such other factors that, in our judgment, deserve recognition in estimating losses.

Materials and Supplies

Materials and supplies are stated at the lower of cost or market. Cost is computed using average cost.

Utility Plant and Depreciation

CCWC capitalizes as utility plant the cost of additions and replacements of retirement units. Such costs include labor, material, and certain indirect charges.

Depreciation is computed utilizing the straight-line method at rates based on the estimated useful lives of the assets as prescribed by the ACC. Effective October 1, 2005, the ACC approved new depreciation rates for CCWC's utility plant. Depreciation expense, reflected as a percentage of the aggregate depreciable asset balances, was 3.4% in 2006. Expenditures for maintenance and repairs are expensed as incurred. Replaced or retired property costs are charged to the accumulated provision for depreciation.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. CCWC would recognize an impairment loss only if the carrying value amount of a long-lived asset is not recoverable from its undiscounted cash flows. An impairment loss is measured as the excess of the carrying value over the fair market value of the long-lived asset. Management judgment is involved in both deciding if testing for recoverability is necessary and in estimating undiscounted cash flows. For the year ended December 31, 2006, an impairment loss of \$91,835.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

Goodwill

At December 31, 2006, CCWC had \$11,613,874 of goodwill. The goodwill represents the difference between the aggregate purchase price and the fair value of CCWC's net assets acquired by AWR in October 2000. Goodwill is reduced on an ongoing basis to reflect the total tax benefit realized from amortizing, for tax purposes, the excess of tax over book goodwill basis in accordance with SFAS No. 109, *Accounting for Income Taxes*. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill is tested for impairment at least annually on December 31 and more frequently if circumstances indicate that it may be impaired. The goodwill impairment model is a two-step process. First, it requires a comparison of the book value of net assets to the fair value, using the terminal value method, of the related operations that have goodwill assigned to them. If the fair value is determined to be less than book value, a second step is performed to compute the amount of the impairment. In this process, a fair value for goodwill is estimated, based in part on the fair value of the operations used in the first step, and is compared to its carrying value. The amount by which carrying value exceeds fair value represents the amount of goodwill impairment. The current year analysis indicated no impairment.

Revenue

CCWC records operating revenues when the service is provided to customers. Revenues include amounts billed to customers on a cycle basis based on meter reading for services provided and unbilled revenues representing estimated amounts to be billed for usage from the last meter reading date to the end of the accounting period. Actual usage may vary from this estimate.

Advances for Construction & Contributions-in-aid-of-Construction

Advances for construction represent amounts advanced by developers, which are refundable over 10 to 20 years. Refund amounts under the contracts are based on annual revenues from the extensions. After all refunds are made, any remaining balance is transferred to contributions-in-aid of construction. During 2006, approximately \$4.2 million of advances that expired were transferred to contributions-in-aid of construction. Contributions-in-aid of construction are similar to advances, but require no refunding and are amortized over the useful lives of the related property.

Debt Issuance Costs

Original debt issuance costs are capitalized and amortized over the lives of the respective issues.

New Accounting Pronouncements

Effective January 1, 2006, CCWC adopted the provisions of SFAS No. 123(R), *Share-Based Payment*, which requires the recognition of compensation expense related to the fair value of stock-based compensation awards. The adoption of this new standard did not have a material effect on CCWC's financial statements.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

Related Party Transactions

CCWC receives various services from its parent, AWR, and from Golden State Water Company ("GSWC"), a wholly owned subsidiary of AWR. In addition, AWR has an \$85 million syndicated credit facility. AWR borrows under this facility and provides funds to CCWC in support of its operations. Amounts owed to AWR for borrowings under this facility total \$1,400,000 as of December 31, 2006 and are included in CCWC's inter-company payables on the balance sheet. The interest rate charged to CCWC is sufficient to cover AWR's interest cost under the credit facility. GSWC also allocates certain corporate office administrative and general costs to CCWC using agreed upon allocation factors based on a weighted rate calculated from customer numbers, utility plant, expenses and labor costs ("four-factor method") that was established by the California Public Utilities Commission for regulated companies. As of December 31, 2006, intercompany receivables included \$31,050 due from GSWC related to these allocations.

2. Regulatory Matters

In accordance with accounting principles for rate-regulated enterprises, CCWC records regulatory assets, which represent probable future revenue associated with certain costs that will be recovered from customers through the ratemaking process, and regulatory liabilities, which represent probable future reductions in revenue associated with amounts that are to be credited to customers through the ratemaking process. Regulatory assets, less regulatory liabilities, included in the balance sheet are as follows as of December 31, 2006:

Deferred general rate case costs	\$ 195,250
Asset retirement obligations	47,925
Gain on settlement for removal of wells	(760,000)
	<u>\$ (516,825)</u>

Deferred General Rate Case Costs:

Deferred rate-case expenses are capitalized as regulatory assets and amortized as specified by the ACC for rate-making purposes.

Asset Retirement Obligations:

Effective January 1, 2003, CCWC adopted SFAS No. 143, "Accounting for Asset Retirement Obligations". Because retirement costs have historically been recovered through rates at the time of retirement, upon implementing SFAS No. 143, the cumulative effect was reflected as a regulatory asset. CCWC will also reflect the gain or loss at settlement as a regulatory asset or liability on the balance sheet.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

Gain on settlement for removal of wells:

Fountain Hills Sanitary District ("FHSD") is a political subdivision of the State of Arizona that provides sanitary sewer service to customers residing within CCWC's water service area. In connection with its sanitary system, FHSD constructed a recharge system whereby it recharges treated effluent through multiple aquifer storage and recovery wells. In order for FHSD to secure an Aquifer Protection Permit for its recharge system, FHSD requested CCWC to permanently cease using one of its wells. As a possible replacement for this well, FHSD constructed a new well adjacent to the community center ("Community Center Well"). However, this well was not able to produce an equivalent amount of water to CCWC's well that was taken out of production. Accordingly, in February 2005, CCWC entered into an agreement with FHSD whereby CCWC agreed to permanently remove from service this well and in return CCWC received a settlement fee of \$1,520,000 from FHSD. Pursuant to the agreement, CCWC will: (i) permanently remove from service and cap this well, and cap another well which had never been used as a potable source of supply; (ii) relinquish any legal claim or interest that CCWC may otherwise possess in the Community Center Well; and (iii) grant an option to FHSD to acquire one of the wells at a future date at fair market value. CCWC has recognized a net gain of \$760,000 related to this settlement agreement and has established a regulatory liability for the remaining \$760,000 pending ACC review of this matter.

3. Utility Plant

The following table shows the Company's utility plant by major class as of December 31, 2006:

Land	\$ 271,857
Source of water supply	4,966,019
Pumping	3,323,855
Water treatment	8,275,225
Transmission and distribution	32,312,760
Other property and equipment	1,870,998
	51,020,714
Accumulated depreciation	(14,947,296)
Construction work in progress	2,241,397
	<u>\$ 38,314,815</u>

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

4. Long-term Debt

Industrial Development Authority Bonds

Substantially all of utility plant is pledged as collateral for CCWC's Industrial Development Authority Bonds. The Bond Agreement, among other things, (i) requires CCWC to maintain certain financial ratios; (ii) restricts CCWC's ability to incur debt and make liens, sell, lease or dispose of assets, merge with another corporation, and (iii) restricts the payment of dividends. CCWC maintains a debt service reserve fund with a balance of \$658,306 at December 31, 2006. Amounts are classified as non-current restricted cash on the balance sheet. The loan and trust agreement contains restrictive covenants, including the maintenance of a debt service coverage ratio of 2.0, as defined in the loan and trust agreement, calculated annually at year end. As of December 31, 2006, CCWC was in compliance with all covenants under the loan and trust agreement.

Repayment Contract

In 1984, CCWC entered into an agreement with the United States Bureau of Reclamation for construction of a delivery and storage system to transport Central Arizona Project ("CAP") water to CCWC's property (the "Delivery Agreement"). In connection therewith, a repayment obligation was incurred by CCWC related to construction costs plus interest. CCWC made the final payment on this obligation in 2006. Interest accrued at a rate of 3.34% per annum. The cost of the constructed assets is recorded as utility plant. Under the terms of the Delivery Agreement, CCWC retains the right to use the delivery and storage system for an unspecified time period conditional upon meeting certain obligations including making scheduled principal and interest repayments for the construction costs and operating and maintaining the system. The Delivery Agreement also provides that the United States Bureau of Reclamation retains ownership of the system. Pursuant to this Agreement, CCWC continues to maintain a debt service reserve fund with a balance of \$69,755 at December 31, 2006. This amount is classified as part of non-current restricted cash on the balance sheet.

Maturities of long-term debt outstanding at December 31, 2006 are as follows:

2007	\$ 280,000
2008	300,000
2009	310,000
2010	330,000
2011	345,000
Thereafter	<u>5,300,000</u>
	6,865,000
Less - current portion	<u>(280,000)</u>
	<u>\$ 6,585,000</u>

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

5. Dividend Limitations

CCWC is subject to contractual restrictions on its ability to pay dividends. CCWC's maximum ability to distribute dividends is limited to maintenance of no more than 55% debt in the capital structure for the quarter immediately preceding the distribution. The ability of CCWC to pay dividends is also restricted by Arizona law. Under restrictions of the Arizona tests, approximately \$6.6 million was available to pay dividends to AWR at December 31, 2006. Contractual restrictions are the most restrictive. There were no dividends distributed from CCWC to AWR in 2006.

6. Taxes on Income

CCWC is included in AWR's consolidated federal income tax return. CCWC files an Arizona state income tax return. CCWC's federal tax provision and liability are computed as if it filed a separate return. Income tax expense includes the current tax liability from operations, the change in deferred income taxes during the year, and the reduction in goodwill during the year (as discussed under "Goodwill"). CCWC applies the provisions of SFAS No. 109, *Accounting for Income Taxes*, which requires the use of an asset and liability approach in accounting for income taxes. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in CCWC's financial statements or tax returns.

The significant components of the deferred tax assets and liabilities as reflected in the balance sheet at December 31, 2006 were:

Deferred tax assets	
Contributions and advances	\$ 1,672,015
Other property related	36,302
Other nonproperty related	<u>65,717</u>
	1,774,034
Deferred tax liabilities	
Goodwill	(3,119,603)
Fixed assets	(2,591,857)
Other property related	(6,605)
Other	<u>(90,355)</u>
	(5,808,420)
Accumulated deferred income taxes - net	<u>\$ (4,034,386)</u>

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

The current and deferred components of income tax expense were as follows:

Current provision	
Federal	\$ 146,267
State	150
Total current tax expense	<u>146,417</u>
Deferred provision	
Federal	(114,619)
State	<u>(16,893)</u>
Total deferred tax expense	<u>(131,512)</u>
Benefit applied to reduce goodwill	<u>226,869</u>
Total income tax expense	<u>\$ 241,774</u>

The federal statutory rate differs from the effective rate primarily due to state taxes, net of federal benefit, and adjustments resulting from the completion in 2006 of the Internal Revenue Service and Joint Committee of Taxation reviews of an amended 2001 federal return filed in 2005.

7. Employee Benefit Plans

GSWC has a defined benefit plan (the "Plan") that provides eligible employees of GSWC and its affiliates, including CCWC, monthly benefits upon retirement based on average salaries and length of service. Pension cost of the Company is based on an allocation from GSWC of the total cost related to the Plan. The allocated pension cost for CCWC was \$152,306 for the year ended December 31, 2006. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. Annual contributions are made to the Plan, which comply with the funding requirements of the Employee Retirement Income Security Act ("ERISA"). All active employees are also offered medical, dental, and vision care benefits through various medical insurance plans.

CCWC is also included in GSWC's 401(k) Investment Incentive Program, under which employees of GSWC and its affiliates may invest a percentage of their pay, up to a maximum investment prescribed by law, in an investment program managed by an outside investment manager. Company contributions to the 401(k) are based upon a percentage of individual employee contributions. The Company contributions to the 401(k) plan for 2006 totaled \$20,209.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

8. Related Party Transactions

CCWC benefits from customer service, regulatory affairs, human resources, insurance, legal, employee benefits, management, accounting and financial services provided and paid for by GSWC and reimbursed by CCWC. GSWC allocates these costs to CCWC using agreed upon allocation factors based on a weighted rate calculated from customer numbers, utility plant, expenses and labor costs ("four-factor method") that was established by the California Public Utilities Commission for regulated companies. The costs for these services, including allocated cost for the employee benefit plans discussed above, were \$1,292,436 for the year ended December 31, 2006 and have been included in other operating expenses and general and administrative expenses.

9. Commitments and Contingencies

CCWC obtains its water supply from two operating wells and from Colorado River water delivered by the Central Arizona Project ("CAP"). The majority of CCWC's water supply is obtained from its CAP allocation and well water is used for peaking capacity in excess of treatment plant capability, during treatment plant shutdown, and to keep the well system in optimal operating condition.

CCWC has an assured water supply designation, by decision and order of the Arizona Department of Water Resources ("ADWR"), providing in part that, subject to its requirements, CCWC has a sufficient supply of groundwater and CAP water which is physically, continuously and legally available to satisfy current and committed demands of its customers, plus at least two years of predicted demands, for 100 years. On April 7, 2004 the ADWR issued a decision confirming that CCWC has demonstrated the physical, legal and continuous availability of CAP water and groundwater, in an aggregate volume of 9,828 acre-feet per year for a minimum of 100 years.

CCWC has a long-term water supply contract with the Central Arizona Water Conservation District (the "District") through September 2033, and is entitled to take 6,978 acre feet of water per year from the CAP. The maintenance rate for such water delivered is set by the District and is subject to annual increases. The estimated remaining commitment under this contract is \$5.3 million as of December 31, 2006 with an estimated annual payment of \$193,000.

The Arizona Water Settlement Act was signed into law in December 2004. This legislation provides for the additional CAP allocation to CCWC in the amount of 1,931 acre-feet per year. In order to receive this additional allocation, CCWC must enter into a revised contract with the District. CCWC is working on an amendment with the District to purchase the 1,931 acre-feet of water per year of additional CAP water rights for an estimated amount of \$1.1 million as of December 31, 2006. The price is subject to further adjustment and is expected to increase until final written agreement is executed, which is anticipated to be in 2007. Once a revised contract with the District is executed, CCWC expects to apply to the ADWR to modify and increase its designation of assured supply from 9,828 acre-feet per year to 11,759 acre-feet per year.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2006

Notwithstanding an assured water supply designation, CCWC's water supply may be subject to interruption or reduction, in particular owing to interruption or reduction of CAP water. In the event of interruption or reduction of CAP water, CCWC can rely on its well water supplies for short-term periods. However, the quantity of water CCWC supplies to some or all of its customers may be interrupted or curtailed, pursuant to the provisions of its tariffs. CCWC has the physical capability to deliver water in excess of that which is currently accounted for in CCWC's assured water supply account.

CCWC is involved from time to time in claims and litigation, both as plaintiff and defendant, in the ordinary course of business. Management is of the opinion that the outcome of such litigation will not have a material adverse effect upon CCWC's results of operations, financial position or cash flows.

Chaparral City Water Company

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PricewaterhouseCoopers LLP
350 South Grand Avenue
Los Angeles CA 90071
Telephone (213) 356 6000
Facsimile (813) 637 4444

Report of Independent Auditors

To the Board of Directors and Stockholder of
Chaparral City Water Company:

In our opinion, the accompanying balance sheet and statement of capitalization and the related statements of income, common stockholder's equity and cash flows present fairly, in all material respects, the financial position of Chaparral City Water Company ("the Company") at December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

April 7, 2008

Chaparral City Water Company
Balance Sheet
December 31, 2007

Assets	
Utility plant	\$ 59,065,283
Less: accumulated depreciation	(16,737,559)
Construction work in progress	<u>946,533</u>
Net utility plant	<u>43,274,257</u>
Other Property and Investments	
Goodwill	11,353,429
Restricted cash	<u>728,775</u>
	<u>12,082,204</u>
Current Assets	
Cash and cash equivalents	-
Restricted cash	14,443
Accounts receivable, net of allowance of \$20,177	354,390
Inter-company receivables from GSWC	160,731
Inter-company taxes receivable from AWR	792,454
Unbilled revenues	333,848
Materials and supplies	13,908
Prepaid expenses and other current assets	157,116
Deferred income taxes - current	37,679
Regulatory assets - current	<u>71,000</u>
Total current assets	<u>1,935,567</u>
Other Assets	
Debt issuance costs	<u>397,510</u>
Total assets	<u>\$ 57,689,538</u>
Capitalization and Liabilities	
Common stockholder's equity	\$ 26,657,248
Long-term debt, less current maturities	<u>6,285,000</u>
Total capitalization	<u>32,942,248</u>
Commitments and contingencies (Note 9)	
Current Liabilities	
Long-term debt, current	300,000
Accounts payable	278,945
Bank overdrafts	39,510
Income taxes payable	4,779
Inter-company loan payable to AWR	1,650,000
Accrued employee expenses	97,317
Accrued property taxes	103,781
Accrued interest	31,369
Other	<u>174,913</u>
Total current liabilities	<u>2,678,614</u>
Other Credits	
Customer deposits	699,321
Advances for construction	5,562,045
Contributions in aid of construction, net	11,333,517
Deferred income taxes	3,666,654
Income taxes payable	164,712
Regulatory liabilities	557,144
Other	<u>85,283</u>
Total other credits	<u>22,068,676</u>
Total capitalization and liabilities	<u>\$ 57,689,538</u>

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company
Statement of Capitalization
December 31, 2007

Common stockholder's equity

Common stock, par value \$10; 2,500,000 shares authorized, 460,314 shares issued and outstanding	\$ 4,603,140
Additional paid-in capital	14,946,900
Retained earnings	<u>7,107,208</u>
	<u>26,657,248</u>

Long-term debt

Industrial Development Authority Bonds	
Series 1997A term bonds, due December 1, 2011 (5.20%)	1,000,000
Series 1997A term bonds, due December 1, 2022 (5.40%)	4,610,000
Series 1997B term bonds, due December 1, 2022 (5.30%)	<u>975,000</u>
Total long-term debt	6,585,000
Less: current maturities	<u>(300,000)</u>
Long-term debt, less current maturities	<u>6,285,000</u>
Total capitalization	<u>\$ 32,942,248</u>

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company
Statement of Income
Year Ended December 31, 2007

Operating revenues

Sales of water \$ 7,704,041

Operating expenses

Purchased water	856,379
Power purchased for pumping	617,934
Other operating expenses	601,824
General and administrative expenses	1,940,670
Maintenance	537,446
Depreciation	1,684,820
Property and other taxes	<u>274,451</u>
	<u>6,513,524</u>

Operating Income

1,190,517

Other Income (expense)

Interest income	49,322
Interest expense	<u>(479,814)</u>
	<u>(430,492)</u>

Income from operations before income tax expense

760,025

Income tax expense

295,012

Net Income

\$ 465,013

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company
Statement of Changes in Common Stockholder's Equity
Year Ended December 31, 2007

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance, January 1, 2007	\$4,603,140	\$14,929,468	\$ 6,646,572	\$ 26,179,180
Cumulative effect of adopting FIN 48			(4,377)	(4,377)
Net income			465,013	465,013
Stock-based awards, net of tax effect	<u>-</u>	<u>17,432</u>	<u>-</u>	<u>17,432</u>
Balance, December 31, 2007	<u>\$4,603,140</u>	<u>\$14,946,900</u>	<u>\$ 7,107,208</u>	<u>\$ 26,657,248</u>

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company
Statement of Cash Flows
Year Ended December 31, 2007

Cash flows from operating activities

Net income	\$ 465,013
Adjustments for non-cash items:	
Depreciation	1,684,820
Provision for doubtful accounts	6,699
Deferred income taxes	(236,124)
Tax benefit on goodwill	260,445
Amortization of debt issuance costs	26,500
Stock-based compensation expense	3,664
Changes in operating assets and liabilities:	
Accounts receivable	(10,192)
Unbilled revenues	(8,879)
Materials and supplies	613
Prepaid expenses and other current assets	35,369
Taxes receivable/payable	240,833
Regulatory assets/liabilities	(30,681)
Other assets	19,649
Accounts payable	(31,294)
Inter-company receivables/payables	(129,681)
Customer deposits	(120,524)
Other liabilities	(3,660)
Net cash flows provided by operating activities	<u>2,172,570</u>

Cash flows from investing activities

Capital expenditures	(2,848,217)
Change in restricted cash	(1,182)
Change in debt reserve fund	(714)
Net cash flows used in investing activities	<u>(2,850,113)</u>

Cash flows from financing activities

Bank overdrafts	39,510
Tax benefits from exercise of stock-based awards	13,070
Receipt of advances for and contributions in aid of construction	463,756
Refunds on advances for construction	(200,223)
Net change in inter-company borrowings	250,000
Repayments of long-term debt	(280,000)
Net cash flows provided by financing activities	<u>286,113</u>

Decrease in cash and cash equivalents	(391,430)
Cash and cash equivalents at beginning of year	<u>391,430</u>
Cash and cash equivalents at end of year	<u>\$ -</u>

Supplemental disclosure of cash flow information

Interest paid	\$ 442,103
Income tax paid, net of refunds	\$ 16,788

The accompanying notes are an integral part of these financial statements.

Chaparral City Water Company

Notes to Financial Statements

December 31, 2007

1. Summary of Significant Accounting Policies

Nature of Operations

Chaparral City Water Company ("CCWC") is a wholly owned subsidiary of American States Water Company ("AWR"). Prior to October 11, 2000, CCWC was a wholly owned subsidiary of MCO Properties Inc. ("MCO"). On October 10, 2000, AWR completed the acquisition of all the common stock of CCWC from MCO for an aggregate value of \$31.2 million, including assumption of approximately \$12 million in debt. The acquisition was accounted for as a purchase and the assets acquired and liabilities assumed have been recorded at their estimated fair values. CCWC is an Arizona public utility company engaged principally in the purchase, production, distribution and sale of water. The Company serves approximately 13,000 customers in Fountain Hills, Arizona and a portion of the City of Scottsdale, Arizona. Regulated by the Arizona Corporation Commission ("ACC"), CCWC is required to provide service and grant credit to customers within its defined service area.

Basis of Presentation

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect (i) the reported amount of assets and liabilities, (ii) disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and (iii) the reported amount of revenues and expenses recognized during each period presented. Actual results could differ from those estimates.

Regulatory Accounting

The Company's accounting policies conform to accounting principles generally accepted in the United States of America, including the accounting principles for rate-regulated enterprises, which reflect the rate-making policies of the ACC, and are maintained in accordance with the Uniform System of Accounts prescribed by the ACC. CCWC is subject to regulation by the ACC to the extent necessary to enable the ACC to determine that CCWC's rates constitute reasonable costs to its customers. Accordingly, CCWC is subject to the provisions of Statement of Financial Accounting Standards ("SFAS") No. 71, *Accounting for the Effects of Certain Types of Regulation*. CCWC does not use regulatory balancing accounts in its rate filings with the ACC, which would represent amounts due to or from its customers based on differences between actual costs and costs assumed in its rate structure, and accordingly, no such accounts are recorded in the accompanying financial statements. Deferred rate case expenses are capitalized as regulatory assets and amortized as specified by the ACC for rate-making purposes.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid money market instruments with original maturities of three months or less. At times, cash and cash equivalent balances may be in excess of federally insured limits. The Company's cash and cash equivalents are held with financial institutions with high credit standings.

Restricted Cash

In accordance with the terms of its long-term debt agreements, CCWC is required to maintain amounts on deposit in a trust account (the Debt Service Reserve) for payment of principal and interest (Note 4). The funds in this account will be maintained until such time that the terms of the financing agreement are fully satisfied. These amounts are classified as "restricted cash" in the balance sheet.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2007

At December 31, 2007, CCWC held \$14,443 of restricted cash representing interest earned in excess of the required balance on the Debt Service Reserve related to the Industrial Development Authority. In accordance with the requirements of the bond indenture, this balance can only be used to pay the next regularly scheduled debt payment.

Accounts Receivable

Accounts receivable is reported on the balance sheet net of any allowance for doubtful accounts. The allowance is based on CCWC's evaluation of the receivable portfolio under current conditions and review of specific problems and such other factors that, in our judgment, deserve recognition in estimating losses. During 2007, CCWC added \$6,699 to the allowance for doubtful accounts and wrote-off \$11,633, net of recoveries.

Materials and Supplies

Materials and supplies are stated at the lower of cost or market. Cost is computed using average cost.

Utility Plant and Depreciation

CCWC capitalizes as utility plant the cost of additions and replacements of retirement units. Such costs include labor, material, and certain indirect charges.

Depreciation is computed utilizing the straight-line method at rates based on the estimated useful lives of the assets as prescribed by the ACC. Effective October 1, 2005, the ACC approved new depreciation rates for CCWC's utility plant. Depreciation expense, reflected as a percentage of the aggregate depreciable asset balances, was 3.3% in 2007. Expenditures for maintenance and repairs are expensed as incurred. Replaced or retired property costs are charged to the accumulated provision for depreciation.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. CCWC would recognize an impairment loss only if the carrying value amount of a long-lived asset is not recoverable from its undiscounted cash flows. An impairment loss is measured as the excess of the carrying value over the fair market value of the long-lived asset. Management judgment is involved in both deciding if testing for recoverability is necessary and in estimating undiscounted cash flows. For the year ended December 31, 2007, there was no impairment loss. Periodically, CCWC also reviews for possible impairment its utility plant in service in accordance with SFAS No. 90, *Regulated Enterprises – Accounting for Abandonments and Disallowances of Plant Costs*. During 2007, there were no write-offs due to disallowances by the ACC.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2007

Goodwill

At December 31, 2007, CCWC had \$11,353,429 of goodwill. The goodwill represents the difference between the aggregate purchase price and the fair value of CCWC's net assets acquired by AWR in October 2000. Goodwill is reduced on an ongoing basis to reflect the total tax benefit realized from amortizing, for tax purposes, the excess of tax over book goodwill basis in accordance with SFAS No. 109, *Accounting for Income Taxes*. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill is tested for impairment at least annually on December 31 and more frequently if circumstances indicate that it may be impaired. The goodwill impairment model is a two-step process. First, it requires a comparison of the book value of net assets to the fair value, using the terminal value method, of the related operations that have goodwill assigned to them. If the fair value is determined to be less than book value, a second step is performed to compute the amount of the impairment. In this process, a fair value for goodwill is estimated, based in part on the fair value of the operations used in the first step, and is compared to its carrying value. The amount by which carrying value exceeds fair value represents the amount of goodwill impairment. The current year analysis indicated no impairment.

Revenue

CCWC records operating revenues when the service is provided to customers. Revenues include amounts billed to customers on a cycle basis based on meter reading for services provided and unbilled revenues representing estimated amounts to be billed for usage from the last meter reading date to the end of the accounting period. Actual usage may vary from this estimate.

Advances for Construction & Contributions-in-aid-of-Construction

Advances for construction represent amounts advanced by developers, which are refundable over 10 to 20 years. Refund amounts under the contracts are based on annual revenues from the extensions. After all refunds are made, any remaining balance is transferred to contributions-in-aid of construction. During 2007, \$2,558,793 of advances that expired were transferred to contributions-in-aid of construction. Contributions-in-aid of construction are similar to advances, but require no refunding and are amortized over the useful lives of the related property.

Debt Issuance Costs

Original debt issuance costs are capitalized and amortized over the lives of the respective issues.

Related Party Transactions

CCWC receives various services from its parent, AWR, and from Golden State Water Company ("GSWC"), a wholly owned subsidiary of AWR. In addition, AWR has an \$85 million syndicated credit facility. AWR borrows under this facility and provides funds to CCWC in support of its operations. Amounts owed to AWR for borrowings under this facility total \$1,650,000 as of December 31, 2007 and are included in CCWC's inter-company payables on the balance sheet. The interest rate charged to CCWC is sufficient to cover AWR's interest cost under the credit facility. GSWC also allocates certain corporate office administrative and general costs to CCWC using agreed upon allocation factors based on a weighted rate calculated from customer numbers, utility plant, expenses and labor costs ("four-factor method") that was established by the California Public Utilities Commission for regulated companies. As of December 31, 2007, intercompany receivables included \$160,731 due from GSWC related to these allocations.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2007

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, *"Fair Value Measurements"*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. CCWC will implement the new standard effective January 1, 2008. CCWC is currently evaluating the impact, if any, that SFAS No. 157 may have on its future financial statements and disclosures. In February 2008 the FASB delayed the effective date of SFAS No. 157 for certain nonfinancial assets and liabilities until January 1, 2009.

In February 2007, the FASB issued SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities"*. SFAS No. 159 allows measurement at fair value of eligible financial assets and liabilities that are not otherwise measured at fair value. The election to measure a financial asset or liability at fair value can be made on an instrument-by-instrument basis and is irrevocable. The difference between "carrying value" and "fair value" at the election date is recorded as a transition adjustment to opening retained earnings. Subsequent changes in fair value are recognized in earnings. SFAS No. 159 also establishes additional disclosure requirements designed to facilitate comparison between companies that choose different measurement attributes for similar type assets and liabilities. SFAS No. 159 is effective for CCWC's fiscal year beginning January 1, 2008. CCWC is evaluating the potential impact of SFAS No. 159; however, this standard is not expected to have a material impact on CCWC's future financial statements.

In December 2007, the FASB issued SFAS No. 141(R) (revised 2007), *"Business Combinations"*. SFAS No. 141(R) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS No. 141(R) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations CCWC engages in will be recorded and disclosed following existing accounting standards until January 1, 2009.

In December 2007, the FASB also issued SFAS No. 160, *"Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51"*. The objective of SFAS No. 160 is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement applies to all entities that prepare consolidated financial statements, except not-for-profit organizations. SFAS No. 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also amends certain of ARB 51's consolidation procedures for consistency with the requirements of SFAS No. 141(R). CCWC is evaluating the potential impact of SFAS No. 160; however, this standard is not expected to have any material impact on CCWC's future financial statements and disclosures.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2007

2. Regulatory Matters

In accordance with accounting principles for rate-regulated enterprises, CCWC records regulatory assets, which represent probable future revenue associated with certain costs that will be recovered from customers through the ratemaking process, and regulatory liabilities, which represent probable future reductions in revenue associated with amounts that are to be credited to customers through the ratemaking process. Regulatory assets, less regulatory liabilities, included in the balance sheet are as follows as of December 31, 2007:

Deferred general rate case costs	\$ 222,293
Asset retirement obligations	51,563
Gain on settlement for removal of wells	<u>(760,000)</u>
	<u>\$ (486,144)</u>

Deferred General Rate Case Costs

Deferred rate case expenses are capitalized as regulatory assets and amortized as specified by the ACC for rate-making purposes.

Asset Retirement Obligations

Effective January 1, 2003, CCWC adopted SFAS No. 143, *"Accounting for Asset Retirement Obligations"*. Because retirement costs have historically been recovered through rates at the time of retirement, upon implementing SFAS No. 143, the cumulative effect was reflected as a regulatory asset. CCWC will also reflect the gain or loss at settlement as a regulatory asset or liability on the balance sheet.

Gain on settlement for removal of wells

Fountain Hills Sanitary District ("FHSD") is a political subdivision of the State of Arizona that provides sanitary sewer service to customers residing within CCWC's water service area. In connection with its sanitary system, FHSD constructed a recharge system whereby it recharges treated effluent through multiple aquifer storage and recovery wells. In order for FHSD to secure an Aquifer Protection Permit for its recharge system, FHSD requested CCWC to permanently cease using one of its wells. As a possible replacement for this well, FHSD constructed a new well adjacent to the community center ("Community Center Well"). However, this well was not able to produce an equivalent amount of water to CCWC's well that was taken out of production. Accordingly, in February 2005, CCWC entered into an agreement with FHSD whereby CCWC agreed to permanently remove from service this well and in return CCWC received a settlement fee of \$1,520,000 from FHSD. Pursuant to the agreement, CCWC will: (i) permanently remove from service and cap this well, and cap another well which had never been used as a potable source of supply; (ii) relinquish any legal claim or interest that CCWC may otherwise possess in the Community Center Well; and (iii) grant an option to FHSD to acquire one of the wells at a future date at fair market value. CCWC has recognized a net gain of \$760,000 related to this settlement agreement and has established a regulatory liability for the remaining \$760,000 pending ACC review of this matter.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2007

3. Utility Plant

The following table shows the Company's utility plant by major class as of December 31, 2007:

Land	\$ 271,857
Intangible assets	1,316,797
Source of water supply	5,023,466
Pumping	4,690,826
Water treatment	8,686,371
Transmission and distribution	37,217,186
Other property and equipment	<u>1,858,780</u>
	59,065,283
Accumulated depreciation	(16,737,559)
Construction work in progress	<u>946,533</u>
	<u>\$ 43,274,257</u>

4. Long-term Debt

Industrial Development Authority Bonds

Substantially all of utility plant is pledged as collateral for CCWC's Industrial Development Authority Bonds. The Bond Agreement, among other things, (i) requires CCWC to maintain certain financial ratios; (ii) restricts CCWC's ability to incur debt and make liens, sell, lease or dispose of assets, merge with another corporation, and (iii) restricts the payment of dividends. CCWC maintains a debt service reserve fund with a balance of \$655,760 at December 31, 2007. Amounts are classified as non-current restricted cash on the balance sheet. The loan and trust agreement contains restrictive covenants, including the maintenance of a debt service coverage ratio of 2.0, as defined in the loan and trust agreement, calculated annually at year end. As of December 31, 2007, CCWC was in compliance with all covenants under the loan and trust agreement.

Repayment Contract

In 1984, CCWC entered into an agreement with the United States Bureau of Reclamation for construction of a delivery and storage system to transport Central Arizona Project ("CAP") water to CCWC's property (the "Delivery Agreement"). In connection therewith, a repayment obligation was incurred by CCWC related to construction costs plus interest. CCWC made the final payment on this obligation in 2006. Interest accrued at a rate of 3.34% per annum. The cost of the constructed assets is recorded as utility plant. Under the terms of the Delivery Agreement, CCWC retains the right to use the delivery and storage system for an unspecified time period conditional upon meeting certain obligations including making scheduled principal and interest repayments for the construction costs and operating and maintaining the system. The Delivery Agreement also provides that the United States Bureau of Reclamation retains ownership of the system. Pursuant to this Agreement, CCWC continues to maintain a debt service reserve fund with a balance of \$73,015 at December 31, 2007. This amount is classified as part of non-current restricted cash on the balance sheet.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2007

Maturities of long-term debt outstanding at December 31, 2007 are as follows:

2008	\$ 300,000
2009	310,000
2010	330,000
2011	345,000
2012	365,000
Thereafter	<u>4,935,000</u>
	6,585,000
Less - current portion	<u>(300,000)</u>
	<u>\$ 6,285,000</u>

5. Dividend Limitations

CCWC is subject to contractual restrictions on its ability to pay dividends. CCWC's maximum ability to distribute dividends is limited to maintenance of no more than 55% debt in the capital structure for the quarter immediately preceding the distribution. The ability of CCWC to pay dividends is also restricted by Arizona law. Under restrictions of the Arizona tests, approximately \$7.1 million was available to pay dividends to AWR at December 31, 2007. Contractual restrictions are the most restrictive. There were no dividends distributed from CCWC to AWR in 2007.

6. Taxes on Income

CCWC is included in AWR's consolidated federal income tax return. CCWC files an Arizona state income tax return. CCWC's federal tax provision and liability are computed as if it filed a separate return. Income tax expense includes the current tax liability from operations, the change in deferred income taxes during the year, and the reduction in goodwill during the year (as discussed under "Goodwill"). CCWC applies the provisions of SFAS No. 109, *Accounting for Income Taxes*, which requires the use of an asset and liability approach in accounting for income taxes. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in CCWC's financial statements or tax returns.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2007

The significant components of the deferred tax assets and liabilities as reflected in the balance sheet at December 31, 2007 were:

Deferred tax assets	
Contributions and advances	\$ 2,683,486
Other property-related	36,302
Other nonproperty-related	<u>52,215</u>
	2,772,003
Deferred tax liabilities	
Goodwill	(3,869,789)
Fixed assets	(2,409,055)
Other property-related	(8,116)
Other nonproperty-related	<u>(114,018)</u>
	(6,400,978)
Accumulated deferred income taxes - net	<u>\$ (3,628,975)</u>

The current and deferred components of income tax expense were as follows:

Current provision	
Federal	\$ 237,549
State	<u>33,142</u>
Total current tax expense	<u>270,691</u>
Deferred provision	
Federal	(209,074)
State	<u>(27,050)</u>
Total deferred tax expense	<u>(236,124)</u>
Benefit applied to reduce goodwill	<u>260,445</u>
Total income tax expense	<u>\$ 295,012</u>

The federal statutory rate differs from the effective rate primarily due to state taxes, net of federal benefit.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. In addition, in May 2007, the FASB Staff Position ("FSP") issued FSP FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48", which amends FIN 48 to provide guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. Effective January 1, 2007, CCWC adopted FIN 48 and, as a result thereof, decreased its retained earnings by \$4,377.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2007

The following table provides a reconciliation of CCWC's unrecognized tax benefits at December 31, 2007.

Unrecognized tax benefits at January 1, 2007	None
Increases as a result of tax positions taken prior to 2007	—
Decreases as a result of tax positions taken prior to 2007	—
Increases as a result of tax positions taken during 2007	—
Decreases as a result of tax positions taken during 2007	—
Decreases relating to settlements with taxing authorities	—
Reductions as a result of lapses of statute-of-limitation periods	—
Unrecognized tax benefits at December 31, 2007	<u>None</u>

Portion of unrecognized-tax-benefit balance at December 31, 2007 that would affect the effective tax rate if recognized

None

With the adoption of FIN 48, CCWC continued its policy of classifying interest on income tax over/underpayments in interest income/expense and penalties in "other operating expenses." At December 31, 2007, CCWC included \$26,253 of interest payables to taxing authorities in other liabilities (all as noncurrent). CCWC recognized \$14,681 of interest expense to taxing authorities for the year ended December 31, 2007. At December 31, 2007, CCWC had no accruals for income-tax-related penalties and did not recognize any income-tax related penalties during the year ended December 31, 2007.

CCWC files federal and Arizona state income tax returns. The U.S. federal filings for the years 1997 through 1999 and 2002 came under examination during the first quarter of 2007 as a result of AWR having filed an amended 2002 return during the third quarter of 2006 for which Internal Revenue Service ("IRS") and Congressional Joint Committee of Taxation ("JCT") reviews are required. While the 2002 return was amended primarily with respect to changes to taxable income for entities other than CCWC included in the consolidated tax return, certain minor changes pertain to CCWC. CCWC is unable to anticipate when the IRS and JCT reviews will be concluded.

AWR's 2004 through 2006 tax years also remain subject to examination by the IRS and its 2003 through 2006 tax years remain subject to examination by the Arizona Department of Revenue.

7. Employee Benefit Plans

GSWC has a defined benefit plan (the "Plan") that provides eligible employees of GSWC and its affiliates, including CCWC, monthly benefits upon retirement based on average salaries and length of service. CCWC's pension cost is a percentage of the total cost based on CCWC's payroll as compared to the total payroll for employees of GSWC and its affiliates. The allocated pension cost for CCWC was \$85,207 for the year ended December 31, 2007. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. Annual contributions are made to the Plan, which comply with the funding requirements of the Employee Retirement Income Security Act ("ERISA"). All active employees are also offered medical, dental, and vision care benefits through various medical insurance plans.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2007

CCWC is also included in GSWC's 401(k) Investment Incentive Program, under which employees of GSWC and its affiliates may invest a percentage of their pay, up to a maximum investment prescribed by law, in an investment program managed by an outside investment manager. Company contributions to the 401(k) are based upon a percentage of individual employee contributions. The Company contributions to the 401(k) plan for 2007 totaled \$54,505.

8. Related Party Transactions

CCWC benefits from customer service, regulatory affairs, human resources, insurance, legal, employee benefits, management, accounting and financial services provided and paid for by GSWC and reimbursed by CCWC. GSWC allocates these costs to CCWC using agreed upon allocation factors based on a weighted rate calculated from customer numbers, utility plant, expenses and labor costs ("four-factor method") that was established by the California Public Utilities Commission for regulated companies. The costs for these services, including allocated cost for the employee benefit plans discussed above, were \$749,402 for the year ended December 31, 2007 and have been included in other operating expenses and general and administrative expenses.

9. Commitments and Contingencies

CCWC obtains its water supply from two operating wells and from Colorado River water delivered by the Central Arizona Project ("CAP"). The majority of CCWC's water supply is obtained from its CAP allocation and well water is used for peaking capacity in excess of treatment plant capability, during treatment plant shutdown, and to keep the well system in optimal operating condition.

CCWC has an assured water supply designation, by decision and order of the Arizona Department of Water Resources ("ADWR"), providing in part that, subject to its requirements, CCWC has a sufficient supply of groundwater and CAP water which is physically, continuously and legally available to satisfy current and committed demands of its customers, plus at least two years of predicted demands, for 100 years. On April 7, 2004 the ADWR issued a decision confirming that CCWC has demonstrated the physical, legal and continuous availability of CAP water and groundwater, in an aggregate volume of 9,828 acre-feet per year for a minimum of 100 years.

The Arizona Water Settlement Act was signed into law in December 2004. This legislation provides for the additional CAP allocation to CCWC in the amount of 1,931 acre-feet per year. In November 2007, a final written agreement was executed and CCWC paid approximately \$1.3 million for this additional CAP water rights. CCWC will file an application with ADWR in 2008 to modify and increase its designation of assured supply from 9,828 acre-feet per year to 11,759 acre-feet per year.

CCWC has a long-term water supply contract with the Central Arizona Water Conservation District (the "District") and is entitled to take 8,909 acre feet of water per year from the CAP, including the additional allocation of 1,931 acre-feet per year discussed above. The maintenance rate for such water delivered is set by the District and is subject to annual changes. On March 28, 2008, the District published its new rate schedules. Based on the new rate schedules, CCWC's estimated remaining commitment under this contract is \$588,000 as of December 31, 2007.

Chaparral City Water Company
Notes to Financial Statements
December 31, 2007

Notwithstanding an assured water supply designation, CCWC's water supply may be subject to interruption or reduction, in particular owing to interruption or reduction of CAP water. In the event of interruption or reduction of CAP water, CCWC can rely on its well water supplies for short-term periods. However, the quantity of water CCWC supplies to some or all of its customers may be interrupted or curtailed, pursuant to the provisions of its tariffs. CCWC has the physical capability to deliver water in excess of that which is currently accounted for in CCWC's assured water supply account.

CCWC is involved from time to time in claims and litigation, both as plaintiff and defendant, in the ordinary course of business. Management is of the opinion that the outcome of such litigation will not have a material adverse effect upon CCWC's results of operations, financial position or cash flows.

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

Arizona Corporation Commission

DOCKETED

MAR 19 2004

DOCKETED BY

[Signature]

IN THE MATTER OF THE APPLICATION OF
ARIZONA WATER COMPANY, AN ARIZONA
CORPORATION, FOR ADJUSTMENTS TO ITS
RATES AND CHARGES FOR UTILITY SERVICE
FURNISHED BY ITS EASTERN GROUP AND
FOR CERTAIN RELATED APPROVALS.

DOCKET NO. W-01445A-02-0619

DECISION NO. 66849

OPINION AND ORDER

DATES OF HEARING:

March 31, 2003 and September 17, 2003 (pre-hearings),
September 22, 23, 24, 25 and 26, 2003,
December 8, 2003 (oral argument)

PLACE OF HEARING:

Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE:

Dwight D. Nodes

IN ATTENDANCE:

Mike Gleason, Commissioner

APPEARANCES:

Mr. Jay Shapiro and Mr. Norman James, FENNEMORE
CRAIG, on behalf of Arizona Water Company;

Arizona Corporation Commission

DOCKETED

MAR 19 2004

DOCKETED BY

Mr. Daniel Pozefsky on behalf of the Residential Utility
Consumer Office;

Ms. Kay Bigelow, City Attorney, on behalf of the City
of Casa Grande;

Mr. Robert Skiba, in propria persona; and

Mr. Timothy J. Sabo and Mr. Gary Horton, Staff
Attorneys, Legal Division, on behalf of the Utilities
Division of the Arizona Corporation Commission.

BY THE COMMISSION:

I. INTRODUCTION

On August 14, 2002, Arizona Water Company ("Arizona Water," "Company" or Applicant")
filed an application with the Arizona Corporation Commission ("Commission") for a rate increase for
the Company's Eastern Group systems. Arizona Water supplies water to approximately 60,000
customers in eight Arizona counties under 18 separate water systems. The rate application filed in



1 this docket involves only the Company's Eastern Group, which serves approximately 29,000
2 customers in the Apache Junction, Bisbee, Miami, Oracle, San Manuel, Sierra Vista, Superior, and
3 Winkelman systems.

4 Arizona Water's current rates and charges for the Eastern Group were authorized in Decision
5 No. 58120 (December 23, 1992), and became effective January 1, 1993. The service charges were
6 later modified in Decision No. 60512 (December 3, 1997). The Company's purchased power
7 adjustor mechanisms ("PPAMs") were changed in Decision No. 58293 (May 19, 1993) and Decision
8 No. 62755 (July 25, 2000). The Monitoring Assistance Program ("MAP") surcharge was established
9 in Decision No. 62141 (December 14, 1999).

10 The Commission's Utilities Division Staff ("Staff") filed a letter of insufficiency on
11 September 13, 2002. Following supplementation by Arizona Water, the application was found
12 sufficient on October 11, 2002. On October 23, 2002, a Rate Case Procedural Order was issued
13 setting this matter for hearing on June 23, 2003.

14 On February 27, 2003, Staff filed a Motion to Continue all Procedural Deadlines, Continue
15 Hearing, and for Tolling of the Rate Case Time Clock. Staff sought additional time to permit an
16 analysis of the Company's request for inclusion of post-test year plant for the 12 months following
17 the end of the December 31, 2001 test year. During oral argument on the Motion, Arizona Water
18 indicated that it would agree to the extension of time to allow analysis of post-test year plant if the
19 only alternative was to forego consideration of such plant additions. A Second Rate Case Procedural
20 Order was issued on March 14, 2003 setting a revised hearing date of September 22, 2003.
21 Accordingly, the time clock for a final Commission decision was extended.

22 Intervention was granted to the Residential Utility Consumer Office ("RUCO"), Superstition
23 Mountain, LLC, and Mr. Robert Skiba. Arizona Water, Staff, RUCO, and Mr. Skiba filed testimony
24 supporting their respective positions in this proceeding. By agreement, Mr. Skiba's testimony was
25 entered into the public comment section of the docket. Public comment hearings were conducted by
26 Commissioners on August 18, 2003 in San Manuel, on August 19, 2003 in Bisbee, and on August 28,
27 2003 in Apache Junction. Evidentiary hearings were conducted in Phoenix on September 22, 23, 24,
28 25, and 26, 2003. Closing briefs were filed on October 31, 2003 and reply briefs were filed on

1 November 10, 2003. An oral argument was held on December 8, 2003.

2 **A. Rate Application**

3 According to the Company's revised schedules, in the test year ended December 31, 2001,
4 Arizona Water's Eastern Group had adjusted operating income of \$1,969,034 on an adjusted original
5 cost rate base of \$39,123,198, a 5.03 percent rate of return. Arizona Water requests a revenue
6 increase of \$4,303,552, for an 11.00 percent rate of return on its proposed original cost rate base of
7 \$39,123,198. The Company's request would increase revenue by approximately 26.01 percent for
8 the Eastern Group.

9 **II. RATE BASE**

10 **A. Plant in Service and Post-Test Year Plant Additions**

11 Arizona Water proposes a revised Eastern Group fair value rate base of \$39,123,198 (Ex. A-
12 13, at SLH-RJ2, p.1; Ex. A-19). The Company's rate base proposal includes recommended gross and
13 net plant in service of \$84,722,378 and \$66,477,550, respectively, for the Eastern Group (Ex. A-19).
14 Although the amount of gross plant in service is no longer in dispute between the Company and Staff
15 (Tr. 982-983), there continues to be disagreement regarding net plant in service due to Staff's
16 proposed adjustments to accumulated depreciation. There is also disagreement between Arizona
17 Water and RUCO due to RUCO's position that actual cost information should be used for
18 considering post-test year plant in service additions.

19 As indicated above, the hearing and time clock in this proceeding were extended to enable
20 Staff and RUCO the opportunity to analyze Arizona Water's post-test year plant additions. Based on
21 Commission precedent, including Arizona Water's Northern Group rate case (Decision No. 64282),
22 Staff agrees that post-test year plant additions for up to one year may be included in rate base. The
23 Company seeks \$3,349,416 for post-test year plant to be included in this proceeding, based on plant
24 that was in service prior to December 31, 2002 (Tr. 736-740; 983).

25 RUCO recognizes that the Commission has in the past allowed post-test year plant to be
26 included and recommends that, if the Commission follows that precedent in this case, it should also
27 consider the actual matching of post-test year expenses, revenues, and rate base elements including
28 plant additions financed by contributions in aid of construction ("CIAC") and advances in aid of

1 construction ("AIAC") (Tr. 724-725). RUCO points out that this proceeding is unique in that the
2 extension of the hearing date granted by the Commission allowed RUCO time to obtain and analyze
3 the Company's "actual" 2002 operating results (RUCO Ex. 3, at 16). Thus, unlike most rate cases
4 where pro forma adjustments must be made, RUCO contends that the actual known and measurable
5 information should be used.

6 Arizona Water argues that RUCO's proposal would result in a "projected" test year.
7 According to the Company, RUCO's recommendation is simply an attack on the Commission's
8 policy of including post-test year plant as long as the plant is revenue neutral (i.e., intended to
9 provide service to customers existing at the end of the test year) and the plant is completed and
10 placed in service a reasonable time before the hearing so that the plant can be inspected and audited.
11 See, e.g., *Bella Vista Water Co.*, Decision No. 65350 (November 1, 2002); *Paradise Valley Water*
12 *Co.*, Decision No. 61831 (July 20, 1999); *Far West Water Co.*, Decision No. 60437 (September 29,
13 1997). The Commission also granted inclusion of 12 months of post-test year plant in Arizona
14 Water's most recent rate case involving the Company's Northern Group systems. Decision No.
15 64282 (December 28, 2001), at 2-5.

16 The Commission's rules require that the test year selected by a rate applicant for determining
17 rate base, operating income, and rate of return to be "the most recent practical date available prior to
18 the filing." A.A.C. R-14-2-103(A)(3)(p). However, the Commission has in the past allowed
19 consideration of known and measurable post-test year data, generally for no more than 12 months
20 after the end of the test year. Decision No. 64282, at 5. Although RUCO contends that adoption of
21 the Company's position would result in a mismatch (because it claims post-test year plant was
22 financed with CIAC), Company witness Hubbard testified that RUCO's contention is inaccurate (Ex.
23 A-13, at 18-19). According to Ms. Hubbard, Arizona Water did not include any post-test year
24 additions that constitute CIAC or AIAC and, therefore, it would be improper to accept RUCO's
25 attempt to manipulate the Company's rate base by including post-test year CIAC, AIAC,
26 accumulated depreciation, and deferred taxes, because those items are not related to Arizona Water's
27 post-test year plant additions (Id.; Ex. SLH-RJ6). Ms. Hubbard testified that this information was
28 provided to RUCO through a data request response prior to the beginning of the hearing (Id.).

1 We agree with Arizona Water that the evidence does not support RUCO's contention that
2 post-test year plant was financed by CIAC or AIAC. RUCO's witness conceded that the so-called
3 "matching principle" proposal in this case is similar to the approach advocated by RUCO in the
4 Company's Northern Group case, which was rejected by the Commission (Tr. 748-749). In this
5 proceeding, Arizona Water and Staff recommend using the formula adopted by the Commission in
6 prior cases whereby the historical test year is adjusted by pro forma annualization and normalization
7 adjustments for known and measurable changes subsequent to the test year. Contrary to RUCO's
8 claims, we do not believe adoption of this method would result in a mismatch because the post-test
9 year plant additions are revenue neutral (i.e., not funded by CIAC or AIAC). Rather, the pro forma
10 adjustments related to post-test year plant additions, including appropriate adjustments for
11 accumulated depreciation (see discussion below) and depreciation expense, will recognize the post-
12 test year plant as if it were in service as of the end of the test year. Consistent with our treatment of
13 post-test year plant in prior cases, including Arizona Water's most recent Northern Group
14 proceeding, we decline to accept RUCO's arguments in this case.

15 **1. Accumulated Depreciation**

16 In calculating accumulated depreciation, Arizona Water uses the "half-year convention" of
17 depreciation. Under this convention, plant additions during the year are assumed to be made on June
18 30 or July 1, resulting in a half-year's depreciation in the first year and a half-year's depreciation in
19 the year the plant is retired (Ex. A-11, at 10). This convention was approved in the Company's last
20 rate case for the Eastern Group systems (Decision No. 58120, at 5-6). In this case, Arizona Water
21 followed the half-year convention on its books but seeks recovery of a full 12 months of depreciation
22 for ratemaking purposes. The Company claims that this pro forma adjustment ensures proper
23 matching of the amount added to the accumulated depreciation balance and the amount of
24 depreciation expense to be recovered in rates (Ex. A-11, at 31-32). Arizona Water argues that its pro
25 forma depreciation adjustments properly recognize the known and measurable change in test year
26 operating expense levels that will result from additional depreciation on plant not previously included
27 in test year depreciation expense. As a result, the Company contends that its pro forma depreciation
28 expense adjustments and corresponding adjustments to the accumulated depreciation are identical.

1 According to Company witness Sheryl Hubbard, Arizona Water's pro forma adjustment to
2 plant in service for non-revenue producing post-test year plant is merely an attempt to enable the
3 Company an opportunity to earn a fair rate of return on investments to serve test year-end customers
4 (Ex. A-12, at 6). Ms. Hubbard stated that if an additional year of depreciation is used to reduce the
5 Company's rate base, its ability to earn a return on the post-test year additions is diminished (*Id.*).

6 Staff's recommendation is that the level of accumulated depreciation should be updated to the
7 end of 2002 to reflect the addition of post-test year plant. Staff witness Ron Ludders testified that
8 because rate base is determined at a given point in time, related accounts including depreciation
9 should be treated in a comparable manner (Tr. 985-987). He indicated that failure to match the plant
10 and accumulated depreciation dates will result in an overstatement of plant in service. He claims that
11 the Company's recommendation violates its half-year convention.

12 Consistent with our decision in Arizona Water's Northern Group case (Decision No. 64282),
13 we agree with Staff that it is appropriate to reflect an additional year in the depreciated accumulation
14 balance because the Company included an additional year of plant beyond the test year (Tr. 985-986).
15 As we stated in Decision No. 64282, "it is necessary to reconcile the accumulated depreciation with
16 the same cut-off date as was used for the post-test year plant" (*Id.* at 6). We agree with Staff that
17 Arizona Water's proposal would create a mismatch by measuring rate base and accumulated
18 depreciation at different points in time. Absent reconciliation between accumulated depreciation and
19 test year plant, the Company's shareholders will realize a windfall at the expense of ratepayers. We
20 will therefore adopt Staff's accumulated depreciation recommendation.

21 2. Working Capital

22 Arizona Water is seeking a total working capital allowance of \$923,871 for its Eastern Group
23 consisting of cash working capital, materials and supplies inventory, required bank balances, and
24 prepayments and special deposits (Ex. A-14). Only the cash working capital component is disputed
25 in this proceeding. The Company points out that the cash working capital component is generally
26 determined by one of three methods: 1) a lead/lag study measuring the amount of time before
27 expenses must be paid compared with the amount of time before revenues are received; 2) the
28 formula method based on one-eighth of a company's annual operating and maintenance expenses; or

1 3) a balance sheet method which represents the difference between a utility company's current assets
2 and liabilities.

3 As we stated in the Company's Northern Group case, the lead/lag methodology is generally
4 more accurate than the formula method and is the appropriate method for a utility the size of Arizona
5 Water (Decision No. 64282, at 7). In this proceeding, the parties do not dispute that lead/lag is the
6 appropriate method to be used for determining cash working capital. There remains a dispute
7 between the Company and Staff regarding the proper number of lag days to be used for calculating
8 the property tax component of the working capital allowance. Arizona Water and RUCO also
9 disagree regarding calculation of the income tax component of working capital. These disputed
10 issues are addressed below.

11 **a. Property Tax Component**

12 The lead/lag method utilized by all parties in this case requires a calculation of the lead days
13 or lag days that exist between the time an expense is due and paid (Ex. A-12, at 9; Ex. A-13, at 7).
14 The dispute between Arizona Water and Staff relates to the appropriate number of lag days used to
15 determine the property tax component of the working capital allowance. Arizona Water proposes
16 using an average of 212 lag days¹, while Staff contends that a lag period of 532 days is appropriate
17 (Tr. 497, 1011, 1022).

18 The lag day dispute centers on the interpretation of when the Company's property taxes are
19 assessed. Ms. Hubbard explained that although the Arizona Department of Revenue ("ADOR")
20 prepares a notice of valuation one year prior to any given tax year, the actual assessment of property
21 taxes occurs during the tax year through issuance of county tax bills (Tr. 396; Ex. A-21; Ex. A-13, at
22 SLH-RJ7). The Company argues that the notice of valuation from ADOR represents a preliminary
23 indication of the value of property subject to taxation, but does not establish an amount of the
24 Company's tax liability. Arizona Water claims that ADOR never assesses property tax liability but,
25 instead, simply values the utility's property, and that valuation remains subject to challenge. Ms.
26 Hubbard stated that the first property tax payment is due in October of the tax year and the second
27

28 ¹ RUCO also proposes using 212 lag days.

1 payment is due in March of the following year (Ex. A-13, at 7-8). Thus, the Company contends that
2 the average of 212 lag days should be utilized for determining the property tax component of working
3 capital (Ex. A-21).

4 In support of its 532 lag day recommendation, Staff claims that the appropriate starting point
5 is the time that Arizona Water receives its valuation notice from ADOR, rather than the date that the
6 Company receives its property tax bill. According to Staff witness Ludders, Arizona Water accrues
7 property taxes on its books once it receives the valuation notice from ADOR. Staff asserts that
8 although the amount of tax due is not listed on the valuation notice, the property tax liability can be
9 calculated from the valuation notice. Mr. Ludders analogizes the valuation liability to a credit card
10 debt that exists once an item is charged, although payments of the charges are not due at that time
11 (Tr. 1012). Mr. Ludders conceded that the Commission used a 212 day lag period in the Northern
12 Group case, but he claims that the Commission likely did not understand that the current ADOR
13 valuation methodology was already in effect at that time (Tr. 1025-1026). Mr. Ludders also testified
14 that Staff's understanding of the ADOR valuation methodology has improved based on conversations
15 with ADOR since the Northern Group case was decided (Id. at 1104).

16 We agree with the Company and RUCO that 212 days is the appropriate lag period for
17 calculating the property tax component for cash working capital. There has not been any substantive
18 change in the valuation or assessment methodology by state or county entities since the Northern
19 Group proceeding where we adopted 212 lag days for this issue. As the Company points out, the
20 valuation notice from ADOR is useful only for determining a value of the property for which
21 property taxes are to be assessed. That valuation does not, however, obligate the Company to pay
22 any specific amount at that time; nor does the valuation even indicate how much is due since that
23 determination is made subsequently by the individual county in which the property is located. We
24 therefore adopt 212 lag days for calculating the property tax component of working capital.

25 **b. Income Tax Lag Days**

26 Arizona Water records its federal and state income tax liability on a monthly basis, although
27 the Company pays 90 percent of that income tax liability on a quarterly basis (Ex. A-13, at 20).
28 RUCO claims that the Company incorrectly used an income tax lag of 2.52 days rather than 61.95

1 days. RUCO witness Coley stated that, because the Internal Revenue Service requires quarterly
2 payment of taxes rather than monthly, the Company's monthly payment calculation should be
3 increased to reflect a longer lag period (RUCO Ex. 5, at 26-27).

4 Company witness Hubbard disputes RUCO's argument. She contends that the lead/lag
5 methodology requires a calculation of the lead days or lag days that exist between the time an
6 expense is recorded and the payment of such expenses. Ms. Hubbard claims that the Company's
7 calculation of the lag associated with the payment of federal income taxes recognizes the lag reflected
8 by quarterly payment of 90 percent of the liability, as well as the lag associated with the payment of
9 the remaining ten percent of the liability made in March of the subsequent year. According to Ms.
10 Hubbard, RUCO's calculation of 61.95 days is based on the incorrect assumption that payments are
11 made annually.

12 Based on Company witness Hubbard's testimony, we will adopt 2.52 lag days for determining
13 the income tax component of cash working capital. As Ms. Hubbard explained, it appears that
14 RUCO's calculation relies on the erroneous assumption that income tax payments are made on an
15 annual basis. Since the Company records the tax liability on a monthly basis, but pays 90 percent of
16 the liability on a quarterly basis, we will adopt Arizona Water's calculation of 2.52 lag days.

17 **B. Deferred CAP M&I Capital Charges**

18 In this proceeding, Arizona Water seeks to reduce significantly the currently authorized
19 amortization period, from 44 years to 3 years, for recovery of Central Arizona Project ("CAP")
20 Municipal and Industrial ("M&I") capital charges. Ms. Hubbard testified that pursuant to the
21 Company's 1985 contract with the United States Bureau of Reclamation and the Central Arizona
22 Water Conservation District ("CAWCD"), Arizona Water purchases CAP water for use in its Apache
23 Junction system (Ex. A-11, at 10). At the time of the Company's last rate case involving the Eastern
24 Group systems (Decision No. 58120), Arizona Water was taking only limited deliveries of CAP
25 water for delivery to potable water customers in Apache Junction. In that Decision, the Commission
26 authorized Arizona Water to defer its pre-1991 CAP M&I capital charges over a 44-year period (Tr.
27 448-449). Since that time, the Company began taking increased deliveries of CAP water for both
28 potable and non-potable uses, and the CAP M&I charges have continued to be deferred for future

1 recovery in a rate case. In this case, the Company seeks recovery of \$691,522 in rate base for the
2 deferred CAP M&I capital charges (Ex. A-13, at Ex. SLH-RJ2, p. 1 of 9)².

3 The disputed issue raised by both Staff and RUCO is the Company's request to recover the
4 CAP M&I charges based on a 3-year amortization period, rather than the currently authorized 44-year
5 period. The Company's 3-year amortization proposal is based on the expected interval between this
6 proceeding and the next rate case involving the Apache Junction system (Ex. A-11, at 12). RUCO
7 recommends a 10-year amortization period based on the period of time over which Arizona Water
8 has been deferring CAP M&I charges since the last rate case (RUCO Ex. 3, at 27). Staff
9 recommends a 32-year amortization period based on the remaining life of the CAP contract (Tr.
10 1033). According to Staff witness Ludders, the 32-year remaining life amortization is appropriate
11 because it is consistent with Generally Accepted Accounting Principles ("GAAP"), because the CAP
12 contract provides a future benefit to the Company and it is based on the currently authorized
13 amortization period (Id. at 1033-1034).

14 We believe that RUCO's recommendation of a 10-year amortization period provides a
15 reasonable resolution of this issue. As the Company points out, at the time the prior 44-year
16 amortization period was approved, many providers, including Arizona Water, had not yet begun to
17 take significant amounts of CAP water and no consistent policy on recovery had been developed by
18 the Commission. However, the Company is now using its CAP allocation and it is reasonable to
19 allow amortization over the same period in which the costs were incurred. This approach is
20 consistent with our decision several years ago in Citizens Utilities Company's (now Arizona-
21 American Water Company's) Sun City and Sun City West districts, wherein the Commission adopted
22 Staff's recommendation to approve a 5-year amortization period based on the period of time over
23 which the CAP M&I capital costs were deferred. Decision No. 62293 (February 1, 2000), at 8.

24 **C. Summary of Rate Base Adjustments**

25 Based on the foregoing discussion, we adopt an adjusted OCRB for the Eastern Group of
26 \$35,944,611, as shown on the attached Exhibit A. Arizona Water agreed to use the OCRB as the Fair

27 ² This amount includes \$645,207 for amounts deferred since the last rate case and \$46,315 for CAP M&I capital charges
28 associated with the unamortized balance of deferred charges authorized in Decision No. 58120 (Tr. 422-423). CAP M&I
charges incurred on a going-forward basis would be recovered as operating expenses (Ex. A-11, at 15-16).

1 Value Rate Base for purposes of this proceeding. We therefore adopt \$35,944,611 as the Fair Value
2 Rate Base for Arizona Water's Eastern Group.

3 **III. OPERATING INCOME**

4 The test period in this proceeding is the 12 months ended December 31, 2001. Arizona
5 Water, Staff, and RUCO have analyzed the Company's accounts for the test year and have
6 recommended adjustments to the actual operating results. RUCO argues that the Commission should
7 not use the Company's proposed post-test year adjustments for either rate base, as discussed above,
8 or for determining operating income expense issues. Rather, RUCO recommends using the actual
9 expense levels for 2002, consistent with its argument regarding inclusion of actual data for post-test
10 year plant (RUCO Ex. 5, at 27). RUCO points out that the Company was the source of the actual
11 2002 expense information (Tr. 415).

12 Ms. Hubbard contends that using 2002 unadjusted actual data "is inappropriate because there
13 are (sic) no normalizing analysis performed on the numbers, no annualizing expense levels performed
14 on those expense levels. No analysis of whether, like, an expense has been recorded in a wrong
15 account." (Tr. 414-415). She also testified that RUCO's recommended expense levels are based on a
16 different level of customers than were taking service at the end of the test year. Ms. Hubbard's final
17 justification for rejecting RUCO's proposal is that the data given to RUCO has not been analyzed by
18 the parties with the same level of detail that typically would occur in the context of a rate case filing
19 (Id. at 415-416).

20 Although we agree with RUCO that rates should reflect the most accurate information
21 possible, for the reasons stated previously we believe the methodology advocated by the Company
22 and Staff properly reconciles post-test year plant with test year revenues and expenses. Pursuant to
23 the Commission's rules, Arizona Water is required to base its filing on an historical test year rather
24 than a projected test year. It is therefore appropriate to recognize test year operating expense and
25 revenue levels, subject to pro forma adjustments to recognize known and measurable changes to the
26 test year levels (See, A.A.C. R14-2-103A.3.i.). Although the data used by RUCO to support its
27 position was supplied by the Company through discovery requests, that information has not been
28 audited by Staff and the other parties with the level of scrutiny that is employed in the analysis of a

1 rate case filing. Thus, it would be inappropriate to use the raw data advocated by RUCO as the basis
2 for setting rates in this proceeding. Accordingly, we will adopt the methodology proposed by the
3 Company and Staff for purposes of establishing revenues and expenses.

4 Adjustments made by the Company that have not been challenged by the other parties will
5 not be discussed. The following contested issues remain to be resolved.

6 **A. Revenue Annualization**

7 There is no dispute that pro forma adjustments to actual test year revenues and expenses are
8 necessary to account for additional customers added during the course of the test year (Ex. A-11, at
9 24-25). According to Ms. Hubbard, the test year average number of Eastern Group customers was
10 28,636, while the end of test year customer count totaled 29,236 (Id.). Arizona Water determined the
11 average revenue per customer using only the 5/8-inch metered customers because that class of
12 customers comprised 98 percent of all customer growth during the test year (Ex. A-12, at 16).

13 Staff claims that the Company's proposed revenue annualization results in a mismatch
14 because it measures expenses by using total expenses and measures revenue by looking only at 5/8
15 inch residential customers (Ex. S-44, at 9-10). Although the Company corrected this mismatch error
16 by also calculating expenses related only to 5/8-inch customers (Ex. A-13, at 11), Staff contends that
17 the Company's allocation of expenses was not based on a cost of service study and should therefore
18 be disregarded (Tr. 450, 1056-1058). Mr. Ludders testified that Staff's revenue annualization
19 proposal should be accepted because it does not result in a mismatch of revenue and expense
20 allocations (Id. at 1056-1058).

21 We believe Arizona Water's revenue annualization proposal results in the most accurate
22 reflection of revenue growth for the Eastern Group. Although Staff argues that a cost of service
23 study is required to properly match revenues and expenses, the Commission has in the past accepted
24 revenue annualization without such a study (*See, e.g.*, Decision No. 64282, at 10). We agree with
25 Arizona Water that Staff's recommendation, which averages revenue increases to all customer
26 classes, results in an overstatement of revenue because it does not recognize that the vast majority of
27 growth occurred in the 5/8-inch residential class. We therefore adopt Arizona Water's revenue
28 annualization recommendation.

1 **B. Purchased Power and Purchased Water Adjustment Mechanisms**

2 The Commission approved purchased power and water adjustment mechanisms in the last rate
 3 case for Arizona Water's Eastern Group (Ex. A-11, at 22). The Company currently purchases
 4 electric power from several different providers for pumping in the Eastern Group systems, and
 5 recovers those costs pursuant to a Purchased Power Adjustment Mechanism ("PPAM") (Ex. A-12, at
 6 17). Arizona Water also has in place for the San Manuel and Superior systems a Purchased Water
 7 Adjustment Mechanism ("PWAM") under which the Company passes through purchased water costs
 8 to customers in those systems (Tr. 453). Ms. Hubbard testified that the adjustment mechanisms allow
 9 the Company to recover operating expenses that are outside of its control, and that the PPAM and
 10 PWAM protect both ratepayers and shareholders because they are revenue neutral to the Company
 11 (Ex. A-13, at 12).

12 RUCO does not oppose continuation of these adjustment mechanisms. However, Staff
 13 recommends that both the PPAM and PWAM should be discontinued³. With respect to the PPAM,
 14 Staff witness Ludders testified that Arizona Water is the only water utility that still uses a PPAM and
 15 that such adjustors should be used only "where power costs are by far the largest single cost item and
 16 are highly volatile" (Ex. S-46, at 7; Tr. 1060). The PWAM applies only to the San Manuel and
 17 Superior systems. Mr. Ludders stated that purchased water for the Superior system is less than one-
 18 half of one percent of operating revenues (Tr. 1061). The San Manuel system has no wells and
 19 purchases all of its water from the BHP Copper Company ("BHP") (Id. at 1062). Although Arizona
 20 Water has discussed buying the BHP wells, the Company has not discussed such a purchase with
 21 BHP recently (Tr. 84-87).

22 We agree with Staff that PPAM and PWAM adjustment mechanisms should be discontinued.
 23 Although Arizona Water argues that such mechanisms benefit both the Company and ratepayers by
 24 passing on increased costs and savings, adjustment mechanisms may also provide a disincentive for
 25 the Company to obtain the lowest possible cost commodity because the costs are simply passed
 26 through to ratepayers. Moreover, the record does not suggest that purchased power costs are a

27 ³ Arizona Water also seeks approval of a Monitoring Assistance Program ("MAP") adjustor and an Arsenic Cost
 28 Recovery Mechanism ("ACRM") adjustor (See ACRM discussion below). Staff does not oppose approval of the MAP
 and ACRM adjustment mechanisms.

1 significant portion of the Company's expenses, or that electricity costs are particularly volatile. With
2 respect to purchased water expenses, the Superior system purchases only a small portion of its water
3 supply⁴ and there is no evidence that the San Manuel system is expected to incur any significant
4 increases or decreases in purchased water costs in the near future. Therefore, Arizona Water's
5 purchased power and purchased water adjustment mechanisms should be discontinued.

6 **C. Rate Case Expense**

7 Arizona Water requests recovery of \$329,550 for rate case expenses that the Company claims
8 are based on actual expenses it is incurring related to this proceeding (Tr. 513; Ex. A-18). Although
9 the total amount is partially estimated, the Company contends that it has incurred actual rate case
10 expenses of more than \$276,000 through November 7, 2003 (See Updated Data Response REL 25-2,
11 Attached to Arizona Water's Reply Brief). The largest expenditures to date are for outside legal
12 counsel (\$182,808), an outside consultant to perform a cost of capital study (\$68,000), and payroll
13 overheads (\$23,875) (Id.). In support of its proposal, Arizona Water contends that rate cases are
14 much more complex than they were in prior years and that the Company's in-house counsel has many
15 other duties that do not permit him to litigate rate cases (Tr. 305).

16 Staff argues that Arizona Water's rate case expense is exorbitant and should be reduced. Staff
17 points out that the estimated rate case expense has increased steadily over the course of this case and
18 that rate case expense in the Company's 1990 rate case was only \$52,053 (Tr. 1048). Staff claims
19 that Arizona Water has failed to justify its heavy use of outside attorneys and consultants, compared
20 to the prior case where those functions were performed by in-house personnel. Staff also notes that
21 rate case expense for the Northern Group case was only \$217,000 (Tr. 463).

22 RUCO argues on brief that it did not oppose the Company's original rate case expense
23 estimate of \$257,550, but now opposes the increased estimate of costs. RUCO opposes allowing the
24 Company to continue to update its rate case expenses because it believes such a policy would
25 encourage abuse and saddle ratepayers with unreasonable expenditures.

26 Although we do not believe it is unreasonable for Arizona Water to retain outside counsel or
27

28 ⁴ The Superior system is expected to be physically interconnected to the Apache Junction system within two years.

1 consultants to prepare and litigate its rate case filings, at some point the costs associated with
2 retaining those services must be mitigated. Staff points out that the Company's 1990 rate case for all
3 of its systems was prepared exclusively by in-house personnel at a cost of just over \$50,000.
4 Although that case was considered a number of years ago, the current estimate of more than \$329,000
5 far exceeds the prior amount. A more analogous case is the recent Northern Group proceeding in
6 which the Commission approved rate case expense in the amount of \$217,000 (Decision No. 64282,
7 at 16). As a justification of the higher costs in this case, the Company claims that the instant
8 proceeding involves eight separate systems, while the Northern Group case addressed only five
9 systems. However, the number of systems does not justify the magnitude of increased expenses
10 sought by Arizona Water. Moreover, the extension of the hearing date and concomitant increase in
11 Arizona Water's rate case expenses, were due to the Company's decision to request inclusion of post-
12 test year plant.

13 Based on our review of the complexity of this proceeding, the number of systems involved in
14 the Eastern Group rate request, and a comparison of other cases, we believe that rate case expense in
15 the amount of \$250,000 is reasonable for this proceeding. Consistent with the Northern Group case,
16 rate case expense will be amortized over three years.

17 **D. CIAC Amortization**

18 Staff recommends that Arizona Water's CIAC amortization should be calculated consistent
19 with the Company's 1990 rate case and the Northern Group rate case. Mr. Ludders testified that Staff
20 calculates the composite depreciation rate by dividing each depreciation expense by its depreciable
21 plant. For CIAC, Staff's calculation resulted in an amortization rate of 2.34 percent (Ex. S-46, at 11).

22 Arizona Water argues that Staff miscalculated the CIAC amortization rate because it
23 calculated a composite depreciation rate, which is inconsistent with the individual component
24 depreciation rates that the Company will be required to use on a going-forward basis. The Company
25 claims that neither Decision No. 58120 nor Decision No. 64282 discusses the methodology to be used
26 in determining the CIAC amortization rate. However, in the Northern Group case, the Commission
27 directed the Company to implement component depreciation rates in its next rate application
28 (Decision No. 64282, at 11-12). Arizona Water asserts that a composite rate for contributed plant

1 should be based on the annual depreciation associated with the individual plant accounts that include
2 contributed plant, in order to match the CIAC amortization rate to the depreciation rates for those
3 specific plant accounts (Ex. A-12, at 27).

4 We agree with Arizona Water that consistency with the move to individual component
5 depreciation rates requires consideration of the individual plant accounts that include contributed
6 plant (*i.e.*, transmission and distribution mains, fire sprinkler caps, services, meters, and hydrants).
7 Based on consideration of the depreciation rates these individual plant accounts results in an Eastern
8 Group composite CIAC amortization rate of 2.00 percent (Ex. A-12, at 27; Ex. S-55). The
9 Company's recommendation for CIAC amortization shall be adopted.

10 **E. Statement of Operating Income**

11 In accordance with the foregoing discussion, Arizona Water's Eastern Group adjusted test
12 year operating income is \$2,168,324. The adjusted test year operating income by system and Eastern
13 Group total is shown on the attached Exhibit B.

14 **IV. RATE OF RETURN**

15 Cost of capital analyses were presented in this case by Arizona Water, Staff, and RUCO for
16 purposes of determining a fair value rate of return in this proceeding. Arizona Water's witness, Dr.
17 Thomas Zepp, determined an overall cost of capital of 11.0 percent. As a result of the analysis of
18 Staff witness Joel Reiker, Staff concluded that an overall rate of return of 8.6 percent is reasonable.
19 RUCO presented testimony by William Rigsby who advocated an overall cost of capital of 8.68
20 percent.

21 **A. Capital Structure and Cost of Debt**

22 **1. Capital Structure**

23 There is virtually no disagreement between the parties concerning Arizona Water's capital
24 structure. The Company, Staff, and RUCO agree that Arizona Water's capital structure as of
25 December 31, 2001 should be used (Ex. A-17, at 9; Ex. S-38, at 3-4; RUCO Ex. 4, at 37-38). That
26 capital structure is comprised of 5.62 percent short-term debt, 28.24 percent long-term debt, and
27 66.14 percent common equity (*Id.*).
28

1 **2. Long-Term Debt**

2 The parties also agree that Arizona Water's cost of long-term debt should be set at 8.46
3 percent. Accordingly, the long-term debt rate shall be set at 8.46 percent (Id.).

4 **3. Short-Term Debt**

5 Although the parties are in agreement on the capital structure and long-term debt, they
6 disagree regarding Arizona Water's short-term debt rate. The Company borrows short-term funds
7 under an agreement with Bank of America at prime minus .25 percent. As of January 1, 2003, the
8 bank reference rate was 4.25 percent. Therefore, Staff contends that the short-term rate should be set
9 at 4.00 percent to reflect actual short-term loan agreements between Arizona Water and Bank of
10 America (Ex. S-38, at 3-5). RUCO witness William Rigsby agrees with Staff's recommendation to
11 set the short-term debt rate at 4.00 percent (RUCO Ex. 4, at 36-37).

12 Arizona Water argues that the short-term debt rate should be set at 5.548 percent based on a
13 24-month average from January 2001 through December 2002. The Company contends that short-
14 term debt costs are variable and the debt rate set in this proceeding should reflect the volatile nature
15 of those rates (Ex. A-17, at 8-9).

16 We agree with Staff and RUCO that the short-term debt rate should be set to reflect the
17 current agreement between Arizona Water and Bank of America. Since that agreement results in a
18 short-term debt rate of 4.00 percent, as of January 1, 2003, we will adopt that rate for purposes of
19 determining Arizona Water's cost of capital in this case.

20 **B. Cost of Equity**

21 Although the cost of debt and preferred stock can be determined from fixed cost rates, the cost
22 assigned to the equity component of the capital structure can only be estimated. The cost of equity
23 recommendations advocated by the parties are 12.4 percent by Arizona Water, 9.0 percent by Staff,
24 and 9.18 percent by RUCO.

25 In determining its recommended cost rate for common equity, the Company's cost of capital
26 consultant, Dr. Zepp, used the discounted cash flow ("DCF") model, several risk premium models,
27 and the capital asset pricing model ("CAPM") to estimate benchmark equity cost with data for
28 publicly traded water and gas utilities. Arizona Water also presented testimony from Walter Meek,

1 the President of the Arizona Utility Investors Association ("AUIA"). Mr. Meek did not perform an
2 independent cost of capital analysis, but testified that, in his opinion, Staff's recommendation ignores
3 the realities of investor expectations (Ex. A-8, at 2-4). Finally, Company witness Ralph Kennedy
4 testified regarding risks that are unique to Arizona Water that affect its cost of capital requirement.
5 Mr. Kennedy discussed the difficulties experienced by Arizona Water in 2001 in placing its Series K
6 bonds, federal arsenic removal requirements facing the Company, and the inability of the Company
7 to obtain long-term financing on terms that are comparable to publicly traded companies with Baa or
8 higher credit ratings (Ex. A-15, at 25-27).

9 Dr. Zepp found the current equity cost for his benchmark utilities to be in the range of 10.6
10 percent to 10.8 percent, based on his application of the DCF model and an average of two forward-
11 looking measures. His analysis included a "restatement" of Mr. Reiker's DCF estimates based on the
12 constant growth model. Dr. Zepp testified that Staff's DCF analysis is flawed because it uses
13 dividends per share ("DPS") which, according to Dr. Zepp, is the worst measure of average future
14 growth when earnings per share ("EPS") are growing more rapidly (Ex. A-5, at 53-56). The
15 Company's restatement of Staff's DCF was conducted by including a second stage that Dr. Zepp
16 claims reflects investors' expectations that future growth will be higher than current DPS when DPS
17 are growing at a slower rate than EPS (Id. at 57-59). Based on this restatement of Staff's multi-stage
18 DCF model, the equity cost for the sample companies was calculated to be 10.1 percent (Id. at 59,
19 Tables 6 and 7). Dr. Zepp also performed a restatement of RUCO witness Rigsby's DCF analysis.
20 The Company's restatement of RUCO's analysis resulted in a cost of equity for the benchmark water
21 companies in the range of 9.6 to 11.1 percent (Id. at 61-63).

22 Dr. Zepp performed three different risk premium analyses with cost of equity results in a
23 range of 10.3 to 11.2 percent. According to Dr. Zepp, the CAPM analyses conducted by Staff and
24 RUCO failed to include separate risk premium estimates. Dr. Zepp favors a "zero-beta" CAPM
25 model which produces results showing that low beta stocks like water utilities require higher returns
26 (Ex. A-5, at 44-49). Dr. Zepp performed a restatement of the CAPM analyses of both Staff and
27 RUCO using forecasted values for long-term Treasury bonds. Based on his recalculation, Dr. Zepp
28 found the cost of equity for the benchmark companies to be in the range of 9.8 to 11.3 percent (Id. at

1 50-52).

2 Aside from the technical analysis of the Staff and RUCO recommendations, Arizona Water
3 claims that those analyses are inconsistent with recent authorized returns on common equity, realized
4 returns on common equity, and *Value Line* forecasted returns on equity. Dr. Zepp prepared a rebuttal
5 schedule containing the authorized, realized, and forecasted returns based on Staff's sample group of
6 publicly traded water utilities, except for two companies Dr. Zepp claims were acquisition targets
7 based on their rapid stock price increases. His table shows average authorized returns from 2001
8 through 2003 of 10.69 percent, realized returns of 10.48 percent, and forecasted returns of 10.83
9 percent (Ex. A-5, Rebuttal Table 1). Arizona Water argues that these results show that the Staff and
10 RUCO cost of equity estimates of 9.2 percent and 9.18 percent, respectively, are not consistent with
11 investor expectations. The Company contends that the results produced by Dr. Zepp's models reflect
12 more accurately the actual and forecasted cost of equity performances for comparably situated water
13 companies.

14 Dr. Zepp also testified that, in order to establish a fair rate of return for Arizona Water, 100 to
15 150 basis points must be added to the Company's cost of equity estimates to account for the
16 additional risk associated with investing in Arizona Water (Ex. A-4, at 13-23; Ex. A-5, at 24-42).
17 Arizona Water asserts that an additional risk premium is required to compensate the Company for its
18 small size and due to its claim that the rate-setting system in Arizona, which employs an historical
19 test year, makes it difficult to match expected revenues with expected plant investment. The
20 Company also contends that investment risk is heightened by the capital and operating costs it is
21 expected to incur due to arsenic treatment requirements. Arizona Water argues that, in accordance
22 with the fair and adequate rate of return requirements under decisions such as *Federal Power*
23 *Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, (1944); *Bluefield Waterworks & Improvement Co.*
24 *v. Public Serv. Comm'n of West Virginia*, 262 U.S. 679 (1923); and *Duquesne Light Co. v. Barasch*,
25 488 U.S. 299 (1989), the Commission must recognize that the cost of equity recommendations put
26 forth by Staff and RUCO would fail to adequately compensate the Company with a reasonable rate of
27 return on its investment.

28 Staff performed both DCF and CAPM analyses in arriving at its 9.0 percent cost of equity

1 recommendation. Mr. Reiker stated that, because Arizona Water's stock is not publicly traded, six
2 publicly traded water companies and 10 gas companies were used as proxies (Ex. S-38, at 9). In his
3 analysis, Mr. Reiker applied the DCF constant growth and non-constant, or multi-stage, growth
4 models to the sample companies (Id. at 11). Mr. Reiker explained that the DCF method is based on
5 the theory that the market price of a stock is equal to the present value of all future dividends. In
6 applying the DCF model, the following three variables are required: 1) the expected annual dividend;
7 2) the current stock price; and 3) the expected infinite annual growth rate of dividends (Id.).

8 With respect to establishing the stock price component, Staff used a spot price because it
9 contends the spot price reflects investor expectations of future returns and is the best indicator of
10 those expectations (Id. at 12). Staff cites a recent Commission Decision in *Black Mountain Gas Co.*,
11 Decision No. 64727 (April 17, 2002) to support its proposal that the Commission should adopt spot
12 price as the basis for determining cost of equity.

13 In its growth variable analysis, Staff examined historical and projected growth in dividends
14 per share, growth in earnings per share, and intrinsic growth. For the proxy companies, Staff's
15 analysis produced average historical growth of 2.5 percent; projected growth over the next five years
16 of 2.0 percent; historical earnings per share of 3.2 percent; and an intrinsic growth rate of 7.8 percent
17 (Id. at 12-13, Schedules JMR-2, JMR-3). Staff's analysis produced an equity cost estimate under the
18 constant-growth DCF model of 8.5 percent (Id. at 19). The multi-stage DCF model considers
19 investor expectations for near-term growth (Stage 1) and long-term constant growth (Stage 2). The
20 cost of equity result of Staff's multi-stage DCF analysis is 9.6 percent (Id. at 20, Schedule JMR-6).

21 Mr. Reiker testified that the CAPM model provides a measure of the expected return on an
22 investment. The CAPM requires the input of variables to determine an estimate of a company's
23 equity cost. The variables that are input into the model are the risk-free rate, the expected return on
24 the market, the risk variable (or "beta"), and the expected market risk premium (Ex. S-38, at 21-22).
25 Staff's risk-free rate estimate is based on the average of intermediate-term U.S. Treasury securities
26 spot rates, and the beta was derived from the average of the *Value Line* betas for the six proxy water
27 utilities. The average beta for the six proxy companies is .59 (Id. at Schedule JMR-5). Mr. Reiker
28 stated that the expected market risk premium represents the additional return an investor expects for

1 investing in an average or higher risk security over the expected return on a risk-free security. Staff's
2 historical market risk premium analysis produced a rate of 7.4 percent, while its current market risk
3 premium analysis resulted in a rate of 13.1 percent (Id. at 23-24). Staff's CAPM analysis results in
4 an equity cost estimate for Arizona Water of 9.4 percent (Id. at Sched. JMR-7).

5 Staff's overall cost of equity recommendation was determined by averaging the results of its
6 constant growth and multi-stage DCF analysis, which produces a result of 9.0 percent. Next, Staff
7 averaged the results of its historical and current market risk premium CAPM analysis, with a result of
8 9.4 percent. The DCF and CAPM results were then averaged to produce a final estimate of 9.2
9 percent (Id. at 25, Table 7). However, Staff also took into account the fact that Arizona Water's
10 capital structure consists of approximately 70 percent equity, which Staff believes represents lower
11 financial risk compared to its proxy water companies which had an average common equity
12 component of just under 50 percent (Id. at Sched. JMR-1).

13 Staff also averaged the DCF and CAPM results for the proxy gas companies, which resulted
14 in an equity cost estimate of 10.3 percent for those companies. Staff claims that the sample gas
15 companies are more risky than the sample water companies, as evidenced by average betas of .59 and
16 .69 for the water and gas companies, respectively. Staff claims that, because the equity cost for the
17 sample gas companies is approximately 100 basis points higher than the water companies, a
18 downward adjustment must be made to reflect the cost of equity for a water company such as Arizona
19 Water. Therefore, Staff adjusted the results of its DCF and CAPM analyses downward from 9.2
20 percent to 9.0 percent.

21 RUCO witness Rigsby recommends a rate of return of 8.68 percent based on a cost of
22 common equity calculation of 9.18 percent (RUCO Ex. 4, at 22). Mr. Rigsby's cost of equity
23 recommendation was determined based on a DCF analysis that produced the 9.18 percent result for
24 Arizona Water (Id.). Mr. Rigsby also performed a CAPM analysis which produced results ranging
25 from 6.79 percent to 8.06 percent (Id. at 27). RUCO claims that Mr. Rigsby's analysis properly
26 considers the current environment of low inflation and low interest rates in which Arizona Water is
27 operating. Mr. Rigsby also contends that his recommendation takes into account the fact that the
28 Company's capital structure is heavily weighted with equity, compared to the group of proxy

1 companies used in RUCO's analyses, thus reducing the risk associated with investing in Arizona
2 Water (Id. at 32-39). RUCO argues that the Company's cost of capital recommendation fails to
3 recognize Arizona Water's lower risk. RUCO requests that its proposed cost of capital
4 recommendation be adopted for purposes of setting rates in this proceeding.

5 We agree that Staff's analysis represents a fair and reasonable estimate of Arizona Water's
6 cost of equity for purposes of this proceeding. As described above, Staff calculated an estimated
7 equity cost of 9.2 percent by taking an average of two DCF models (constant growth and multi-stage)
8 and the CAPM model. Although Arizona Water's witnesses are critical of Staff's analysis, we
9 believe the Company's recommendation has several flaws.

10 First, Arizona Water's infinite growth DCF model averaged the near-term growth forecast for
11 the entire water utility industry rather than an average of near-term growth forecasts. As Mr. Reiker
12 pointed out, including the entire industry creates a mismatch between the expected dividend growth
13 rate and the expected dividend yield, thereby producing a less accurate cost of equity estimation (Ex.
14 S-38, at 38). We also agree with Staff's witness that the Company's exclusive reliance on analyst
15 forecasts erroneously assumes that investors rely only on near-term earnings and sustainable growth
16 without considering past earnings. Reliance solely on analyst projections tends to result in inflated
17 growth projections without considering DPS and past EPS growth, information that even Dr. Zepp
18 has acknowledged should be considered in determining estimated growth (Id. at 44-45). We believe
19 that Staff's multiple component DCF analysis properly recognizes that investors expect both non-
20 constant short-term growth as well as long-term constant growth.

21 With respect to the competing "risk premium" analyses, we believe Staff's CAPM model
22 properly takes into account risk for purposes of estimating equity costs. Mr. Reiker stated that
23 Arizona Water's reliance on forecasted Baa bond rates is less reliable because such bond forecasts
24 have historically been inaccurate. Thus, according to Staff, the accuracy of the Company's risk
25 premium analysis is suspect. We agree with Staff that assessing the risk premium based on corporate
26 bond yields is inappropriate because the default risk for corporate bonds can change significantly
27 over time (Ex. S-38, at 46-49). We believe Staff's CAPM analysis, which includes a risk variable, is
28 a reasonable means of estimating Arizona Water's cost of equity in this case and is preferable to the

1 Company's proposed risk premium recommendation.

2 However, we part company with Staff's recommendation with respect to the necessity for a
3 downward adjustment to cost of equity. As described above, Staff and RUCO argue that Arizona
4 Water is less risky than the group of sample companies that were used for purposes of determining
5 their cost of capital recommendations. As a result, Staff argues that the product of its average of the
6 DCF and CAPM models (9.2 percent) should be reduced to 9.0 percent to recognize the lesser risk
7 associated with investing in Arizona Water. On the other hand, the Company proposes an upward
8 adjustment of 100 to 150 basis points to recognize what it asserts are increased risks. As indicated
9 above, the risk factors alleged by the Company include its relatively small size compared to the proxy
10 companies, the use of an historical test year in Arizona, difficulty placing its bonds, and federal
11 arsenic removal requirements.

12 Based on our review of the entirety of the record, we do not believe that the risk factors
13 described by Staff, RUCO, and the Company support a finding that a risk adjustment, either upward
14 or downward, is necessary in this proceeding. The Company's approximately 70 percent equity
15 position, as well as the lower betas of the sample water companies compared to the sample gas
16 companies, may justify consideration of an adjustment. However, even if Arizona Water is slightly
17 less risky than the proxy companies as a whole, we do not agree that Staff's proposed downward
18 adjustment is appropriate. Nor do we believe that an upward adjustment is required. Although the
19 Company cited its difficulty in placing its corporate bonds in 2001, \$15 million of general mortgage
20 bonds were ultimately issued. Regarding Arizona Water's size, Staff points out that the Commission
21 has in the past rejected such arguments, and at least one study supports rejection of allowing a risk
22 premium based on a company's smaller size (Ex. S-38, at 59-64). Concerning the Company's
23 historical test year argument, there is no precedent for recognizing a risk adjustment because the law
24 requires an historical test year. Indeed, we have allowed Arizona Water in this case to include post-
25 test year plant in rate base for a full 12 months following the test year. Moreover, it is the Company
26 that controls the timing of its rate application and the test year. Finally, the risks associated with
27 arsenic treatment costs have been mitigated by the Commission's approval in both the Northern
28 Group case (See ACRM discussion below), and in this proceeding, of an arsenic cost recovery

mechanism that enables the Company to seek expedited approval of capital costs and a significant portion of operating costs associated with arsenic treatment for its affected systems. Given all of these factors, we will not adopt any specific risk adjustments to the 9.2 percent cost of equity determined by Staff's analysis.

C. Cost of Capital Summary

	<u>Percentage</u>	<u>Cost</u>	<u>Weighted Cost</u>
Short-Term Debt	5.6%	4.0%	0.22%
Long-Term Debt	28.2%	8.46%	2.39%
Common Equity	66.2%	9.2%	<u>6.09%</u>
Cost of Capital			8.7%

V. AUTHORIZED INCREASE

Multiplying the Eastern Group's fair value rate base by the fair value rate of return produces a required operating income of \$3,127,181 on a total company basis. This is \$958,854 more than the adjusted test year income under existing rates. The required increase in gross annual revenues for the Eastern Group is \$1,564,803, or 10.68 percent, as shown on the attached Exhibit C.

VI. RATE DESIGN

A. Staff's Proposed Inverted Tier Rate Design

Under Arizona Water's current rate structure customer classes and the monthly minimum charges are determined by meter size. The monthly minimum for all customer classes includes 1,000 gallons with a single commodity rate applied to all usage. Under the Company's proposed rate design, the 1,000 gallons of "free" water in the monthly minimum was eliminated and each of the eight systems' existing meter multiples⁵ were moved half way toward the actual meter multiples (Ex. A-16, at 15-16). Arizona Water points out that its proposed rate design in this proceeding follows the same principles as the design that was approved in Decision No. 64282 for the Company's Northern Group.

⁵ "Meter multiples" is a rate design concept whereby the monthly minimum charge for each meter size is established by first establishing the appropriate charge for the smallest meter size and multiplying that minimum charge by a factor appropriate for each larger meter size (See, e.g., Decision No. 64282, at 23).

1 Staff's proposed rate design consists of inverted tier rate blocks whereby the commodity rate
2 would increase through three tiers of rates as usage increases. Staff's rate blocks are structured so
3 that the first tier (0 to 3,000 gallons) is priced 20 percent less than the second tier (3,001 to 50,000
4 gallons) and the third tier (over 50,000 gallons) is priced 20 percent higher than the second block (Ex.
5 S-40, at 2-9). Staff claims that its proposed 20 percent first tier "discount" rate structure provides a
6 "lifeline" concept that allows for a minimum volume of water usage for basic needs (Tr. 934-935,
7 941). Staff believes the 20 percent third tier "premium" rate will send a price signal to heavy users to
8 reflect the extra costs they impose on the system (Tr. 896). Staff witness John Thornton testified that
9 Staff's rate design is based on a marginal pricing concept that provides "a more efficient rate
10 structure that results in conservation of resources in the provision of water" (Id. at 883). Staff
11 concedes that the third block would subsidize the other blocks on an embedded cost basis, although
12 Staff has not quantified that subsidy (Id. at 884). According to Staff, a number of other water
13 companies in the state use inverted block rates, including Arizona-American Water Company. Staff
14 argues on brief that its rate design will send a price signal that is likely to result in conservation in the
15 long run. However, Mr. Thornton admitted on cross-examination that any conservation price signals
16 would apply only to usage over 50,000 gallons per month, thereby eliminating any conservation goals
17 directed to smaller customers, including residential customers (Tr. 939).

18 Arizona Water argues that Staff's rate design recommendation deviates from basic cost of
19 service principles and ignores the rate design approved in the last rate case for the Eastern Group
20 customers (Decision No. 58120) and in the Company's Northern Group case (Decision No. 64282).
21 The Company contends that Staff's proposal does not encourage conservation and in fact creates
22 subsidies for usage in the first tier without sending any appropriate price signals. Arizona Water
23 asserts that Staff's proposed rate design is not based on a cost of service study and that it would shift
24 recovery of a substantial portion of the revenue requirement from the monthly minimum to the
25 commodity rate with no supporting evidence. The Company also contends that Staff's so-called
26 "lifeline" rate is inconsistent with lifeline rates described in publications of the American Water
27 Works Association which limit such rates to: low income residential customers; where a significant
28 portion of customers in the area are unable to afford water service; and where water conservation is

1 not a concern (because discounted rates may actually cause increased water usage) (Ex. A-28, at 10-
2 13). Arizona Water argues that Staff's rate design is inequitable and will promote economic
3 inefficiencies.

4 We agree with Arizona Water that the justification provided by Staff does not support its
5 recommended rate structure in this proceeding. Staff points out that inverted tier rate designs have
6 been adopted in a number of prior cases as a means of encouraging customers to conserve water.
7 Although we agree with Staff that conservation of water is a desirable goal, its own witness testified
8 that no conservation price signals would be received by customers until usage reached more than
9 50,000 gallons. As a result, Staff's recommendation in this case is clearly distinguishable from the
10 type of inverted block structures approved by the Commission in other cases.

11 Staff's proposed rate design is also inconsistent with the type of block structures in place in a
12 number of cities in Arizona, as evidenced by a number of exhibits introduced by Staff at the hearing
13 (Exs. S-5, S-6, S-7, S-8, and S-9). These rate schedules show that the rates in effect for the cities of
14 Phoenix, Tucson, Scottsdale, Mesa, and in the Sun City area do not follow the type of design
15 advocated by Staff in this proceeding but, rather, indicate that the rates include increasing minimum
16 rates based on larger meter sizes or have second tier blocks that are substantially different than those
17 recommended by Staff (e.g., 8,000 gallons for Sun City, 12,000 gallons for Mesa, and 15,000 gallons
18 for Tucson Residential). Thus, average residential customers in those areas may be incented to
19 reduce consumption by being presented with price signals that provide more attainable targets. We
20 do not believe that Staff's proposal fits within the type of rate design structures that have been
21 adopted by the Commission in prior cases or in the other jurisdictions cited by Staff. Accordingly,
22 we decline to adopt Staff's proposed inverted tier rate design in this proceeding.

23 Although we are rejecting Staff's proposed rate design, we believe that an alternative inverted
24 tier rate structure is a valid tool for promoting conservation by sending appropriate price signals to
25 heavier users. Similar inverted block structures have been approved in a number of prior cases and
26 we believe it is reasonable to adopt such a rate design in this proceeding. Therefore, we adopt the
27 following inverted tier rate structure for Arizona Water's Eastern Group: first tier – 0 to 10,000
28 gallons per month; second tier – 10,001 to 25,000 gallons per month; third tier – over 25, 001 gallons

1 per month.

2 **B. Consolidation of Apache Junction and Superior Systems**

3 Arizona Water is requesting that the Eastern Group's Apache Junction and Superior systems
4 be consolidated in this proceeding for rate making and accounting purposes. Under the Company's
5 proposal, uniform monthly minimum charges would be established for both systems in this
6 proceeding, with each system retaining its own commodity rate. In the next rate proceeding, full
7 consolidation of the systems would occur (Ex. A-15, at 11-12).

8 Company witness Kennedy explained that the Apache Junction and Superior systems are
9 facing substantial rate increases due to the costs associated with arsenic removal. For the Apache
10 Junction system, capital costs alone are expected to reach \$8.8 million, which represents
11 approximately 36 percent of that system's adjusted original cost rate base. The impact of arsenic
12 removal is even more severe for the Superior system, with estimated capital costs of \$1.7 million, or
13 63 percent of the system's rate base. Both systems would also incur significant additional costs
14 related to arsenic removal operating costs (Id.).

15 Because the Superior system (1,288 customers) is significantly smaller than the Apache
16 Junction system (16,093 customers), and the Superior system's current rates (\$18.13 residential
17 minimum charge and \$4.06 per 1,000 gallons) are much higher than the Apache Junction rates
18 (\$12.43 residential minimum and \$2.569 per 1,000 gallons), Arizona Water argues that absent
19 consolidation, the differences in rates between the two systems will become even more pronounced
20 as a result of this proceeding. Mr. Kennedy testified that without consolidation of the Superior and
21 Apache Junction rates in this case, future consolidation will be more difficult, especially when the
22 impact of arsenic treatment is added to rates (Ex. A-17, at 7; and RJK-RJ5). The Company points out
23 that the Superior and Apache Junction systems are expected to be interconnected within two years,
24 which distinguishes the proposal in this case from prior proceedings in which the Commission has
25 declined to approve consolidation proposals. Under the Company's proposed revenue requirements,
26 without consolidation the Apache Junction system rates would increase by more than 16 percent,
27 while the Superior system revenue requirement would increase by more than 70 percent, even
28 without adding arsenic removal costs (Id.).

1 RUCO and Staff oppose consolidation of the Superior and Apache Junction systems based on
2 the premise that individual system rates should reflect their specific system costs (RUCO Ex. R-3, at
3 43-46; RUCO Ex. R-2, at 21-24; Ex. S-44, at 34; Ex. S-51, at 11-12; Tr. 525-530). Staff and RUCO
4 argue that until physical interconnection of the systems is completed, allowing consolidation would
5 result in subsidization of Superior system customers by Apache Junction customers. Staff and RUCO
6 cite to prior decisions in which the Commission has recognized the concept that system rates should
7 reflect individual system costs (Decision No. 58120, at 33-34; Decision No. 64282, at 20-21;
8 Decision No. 66400, at 11-13).

9 We agree with Arizona Water that the Superior and Apache Junction systems should be
10 consolidated for purposes of rate making and accounting under the Company's proposed two-step
11 consolidation process. Although Staff and RUCO point out that the Company's Northern Group
12 consolidation recommendation was recently denied, the request in this proceeding is distinguishable.
13 First, unlike the situation in the Northern Group case, the Superior and Apache Junction systems are
14 already contiguous (Ex. A-9, at 10). Further, the backbone transmission facilities needed to serve a
15 development approximately four miles from the Superior system well fields are already under
16 construction, and full interconnection with Superior will be completed in less than two years (Ex. A-
17 10, at 4-5; Ex. A-17, at 7). Thus, the interconnection of systems is not speculative but is imminent.

18 Given these differences from the Northern Group proceeding, we believe it is appropriate to
19 allow the first step of consolidation at this time in order to recognize the interconnection of the
20 systems and to minimize the "rate shock" that may otherwise be experienced by customers in the
21 Superior system. Consolidation is even more critical to offset the significant rate increases that will
22 be experienced once arsenic treatment costs are imposed on Arizona Water's customers. According
23 to Mr. Kennedy, arsenic treatment capital costs are estimated to be approximately \$573 per customer
24 in the Apache Junction system and \$1,309 per customer in the Superior system (Ex. A-17, at 7).
25 Absent consolidation, this impact will be exacerbated by the depressed economic conditions in the
26 Superior area where customer growth has actually declined in recent years (Id. at 6).

27 With respect to Staff and RUCO's arguments that consolidation will result in inter-system
28 subsidies, we note that consolidation of individual Arizona Water systems is not without precedent.

1 In fact, Arizona Water has in the past been permitted to consolidate a number of systems that are not
2 physically interconnected (e.g., River Valley and Rimrock, Arizona City and Casa Grande, Forest
3 Towne and Overgaard, Valley Vista and Sedona, and Tierra Grande and Casa Grande) (Ex. A-17, at
4 5). In this proceeding, the fact that interconnection of the Superior and Apache Junction systems will
5 be completed within two years, the further widening of the base rate disparity between the systems
6 absent consolidation, and the significant additional rate impact in the near future associated with
7 arsenic removal costs, justifies implementing the first step of consolidation in this proceeding as
8 proposed by Arizona Water. Accordingly, the Company's rate consolidation recommendation is
9 adopted.

10 **VII. OTHER ISSUES**

11 **A. Staff's Proposed Water Loss Plan**

12 Staff proposed that Arizona Water be required to audit its water losses for systems in the
13 Eastern Group with greater than 10 percent water loss, and file a plan for reducing such losses where
14 it is feasible to do so (Ex. S-52, at 4-6). Staff contends that its proposal is not burdensome because
15 the Company already produces internal water loss reports that could be used as a starting point for the
16 reporting requirements recommended by Staff (Tr. 90-91).

17 Arizona Water claims that Staff has not established that the Company has a water loss
18 problem because Staff's loss calculations are based on "unsold" water rather than "lost" water (Tr.
19 324, 1128-1129; Ex. A-2, at 24). According to the Company, unsold water is the difference between
20 water produced and received, and water sold to customers. Unsold water includes water used for a
21 number of purposes including for operational and maintenance needs, as well as overflowing water
22 storage tanks, flushing water distribution systems, and fire suppression (Ex. A-2, at 24-25). By
23 contrast, lost water represents quantities that the Company cannot account for (Tr. 324). Arizona
24 Water opposes Staff's recommendation because of the Company's claim that Staff has not identified
25 any harm to ratepayers that needs to be remedied, and because the Company believes Staff's
26 reporting requirements constitute unnecessary micro-management of the Company's operations.

27 We do not believe that Staff's proposed audit and reporting requirements will impose an
28 undue burden on Arizona Water's operations. Although the Company challenges Staff's definition of

1 system water losses, whether the water is “unsold” or “unaccounted for” should not be the deciding
2 factor in assessing the need for monitoring of water that is pumped but not ultimately paid for by the
3 Company’s customers. Staff’s recommendation does not require any specific remedy for
4 unaccounted for water but, instead, simply requires the Company to report systems that exceed the 10
5 percent loss limit and to propose cost-effective solutions for reducing such losses. We believe Staff’s
6 recommendation will enable Staff to monitor Arizona Water’s unaccounted for water while allowing
7 the Company sufficient flexibility to resolve water loss situations that require a remedy. Staff’s
8 recommendation is therefore adopted.

9 **B. NP-260 Tariff**

10 Arizona Water has a NP-260 Non-Potable Central Arizona Project Water Tariff (“NP-260
11 Tariff”) that is designed to pass through to non-potable customers all costs associated with providing
12 non-potable water service plus amounts for administration. Company witness Kennedy testified that
13 the NP-260 Tariff is designed to be as income neutral as possible while avoiding passing costs onto
14 potable customers (Ex. A-16, at 28).

15 Staff recommends that Arizona Water amend its NP-260 Tariff as follows: eliminate the fixed
16 meter charge; eliminate the depreciation charge; indemnify customers from maintenance, repair or
17 replacement charges when the damage to CAP facilities is the result of the Company’s error; require
18 the customer to be responsible for repair or replacement of the meter; and include fixed-dollar
19 administrative charges representative of the Company’s actual costs (Ex. S-51, at 16-17). Staff
20 claims that these changes are necessary to address problems that were identified in a formal
21 complaint filed in *SLV Properties v. Arizona Water Co.*, Decision No. 65755 (March 20, 2003).

22 Arizona Water contends that the Decision cited by Staff does not support the proposed
23 recommendation. According to the Company, the NP-260 Tariff maintenance fees and related
24 charges were found reasonable in Decision No. 65755 and there is no reason to change the tariff in
25 this case.

26 We agree with Staff’s recommended changes to the NP-260 Tariff. In Decision No. 65755,
27 we directed Staff to “review the NP-260 Tariff” in the instant proceeding and “recommend changes
28 or revisions as required.” The Company does not dispute that the depreciation charge should be

1 eliminated from the tariff. However, as Mr. Hammon indicates, there is no valid basis to find that the
2 current fixed monthly meter charge of more than \$363 is relevant to the fixed costs of the CAP
3 delivery system (Ex. S-51, at 15). The CAP fixed costs are already recovered through the CAWCD
4 capital charges which are passed on to customers with a percentage fee for administration collected
5 by Arizona Water. We also agree that the NP-260 Tariff does not adequately define customer rights,
6 especially for unusual maintenance situations (e.g., lightning strikes). Under the current tariff,
7 Arizona Water has no real incentive to protect the equipment that is owned and controlled by the
8 Company, but for which the customer bears maintenance responsibility (Id. at 16). We find that
9 Staff's proposed changes to the NP-260 Tariff are reasonable and shall be adopted.

10 **C. Arsenic Treatment Cost Recovery Mechanism**

11 Arizona Water is requesting approval in this proceeding of an arsenic cost recovery
12 mechanism ("ACRM") that would allow the Company to recover arsenic treatment capital costs and
13 certain "recoverable" operation and maintenance ("O&M") costs. The Company's proposal is based
14 on the ACRM approved recently for Arizona Water's Northern Group in Decision No. 66400.
15 Arizona Water projects arsenic treatment capital costs for the Eastern Group will exceed \$12 million
16 and that annual O&M costs for the affected Eastern Group systems (Apache Junction, Superior, and
17 San Manuel) will cost more than \$2.6 million (Ex. A-1, at 9; Ex. A-15, at 7-8).

18 Neither Staff nor RUCO filed testimony opposing the Company's ACRM recommendation.
19 Given the lack of opposition to the proposed ACRM, and considering that the Company's proposal is
20 based on the recently approved ACRM for the Northern Group, we will approve the ACRM
21 recommendation for the Eastern Group in this proceeding.

22 **D. Curtailment Tariff and Water Conservation Notice**

23 Staff recommended that Arizona Water be directed to file a curtailment tariff consistent with
24 prior Commission decisions requiring such tariffs. At the hearing, the Company agreed to file such a
25 tariff (Tr. 82-83). Accordingly, Arizona Water is directed to file a curtailment tariff in a form
26 approved by Staff at the time it files its tariffs in compliance with this Decision.

27 We also believe it is appropriate and necessary to require Arizona Water Company to
28 implement a water conservation initiative for customers affected by this Application. Within 30 days.

1 of the effective date of this Decision, Arizona Water Company shall develop and submit to Staff a
2 notice concerning water conservation information, including methods and guidelines that customers
3 may use to lower water usage. Within 30 days of approval by Staff, Arizona Water Company shall
4 send to all customers affected by this Application, by bill insert or separate mailing, a copy of the
5 approved notice.

6 **E. Pinal Creek Group Settlement**

7 In 1998, Arizona Water negotiated a settlement with members of the Pinal Creek Group
8 ("PCG Settlement"), a group of mining interests with copper mining operations in the vicinity of the
9 Company's Miami system (Ex. A-16, at 7-8).

10 Arizona Water's Miami system is located in Gila County and serves approximately 3,000
11 customers. According to the Company's witnesses, the capacity of wells in the Miami system has
12 been extremely variable due to the prevailing hydrology of the area. The Company claims that
13 production from area wells has been consistently declining over time and customers have been
14 subjected to temporary shortages and conservation restrictions (Ex. A-2, at 5-7).

15 In 1997, while it was investigating additional water supply options in the Miami area, Arizona
16 Water discovered that the Arizona Department of Environmental Quality ("ADEQ") and the United
17 States Environmental Protection Agency ("EPA") were about to enter into a consent order with the
18 PCG concerning alleged contamination of groundwater in the Miami area by the members of the
19 PCG (Ex. A-2, at 7). Because the proposed consent order did not address the potential effects on
20 Arizona Water and its customers, the Company took action to insert itself into the action before the
21 consent order between ADEQ and the PCG was finalized. Mr. Garfield testified that Arizona
22 Water's participation in the proceeding was not welcomed by either ADEQ or the PCG, and only
23 through the Company's persistence was it able to secure its primary goal of a guaranteed source of
24 replacement water for the Miami system. (Id.; Tr. 135-136).

25 The consent order between the PCG, ADEQ, and EPA requires the PCG to pay fines to both
26 ADEQ and EPA, and to take responsibility for cleanup in the area at an estimated cost of \$100
27 million (RUCO Ex. 3, at 29). In its separate settlement with the PCG, Arizona Water agreed to a
28 cash settlement of \$1.4 million paid over a three-year period. This cash compensation under the

1 settlement was recorded as Miscellaneous Non-Operating Income, whereby none of the proceeds
2 were allocated to ratepayers (Id. at 29-30). In addition, the PCG Settlement provides that the
3 Company is to receive replacement water from various PCG wells (through an interconnection
4 linking the PCG system with Arizona Water's Miami system). Under the agreement, the Company
5 began receiving 100 gallons of water per minute ("gpm") in 1998, increasing by 100 gpm up to 600
6 gpm in October 2003. After that time, PCG is required to continue to provide an aggregate volume
7 of capacity of 600 gpm until the settlement agreement expires in 2028 (Id.).

8 Staff argues that the Company's Miami ratepayers are entitled to the entirety of the PCG
9 Settlement proceeds. Staff claims that the benefits from the settlement were in exchange for the
10 release of past damages and the Company retains the ability to seek future damages. Staff asserts that
11 Arizona Water has not retired any wells in the Miami system for more than 20 years and ratepayers
12 have paid for those wells through rates during that same time period (Tr. 543-558). Staff further
13 contends that as the holder of a CC&N in the Miami area, it is the Company's duty to secure
14 adequate sources of water for its customers. Staff claims that the Company is adequately
15 compensated by having rates in effect that allow it to earn a reasonable return on its investment and
16 there is no basis for allowing additional compensation through entitlement to the settlement proceeds.
17 Staff also contends that the Company improperly accounted for the proceeds as miscellaneous
18 income instead of as a deferred regulatory liability pursuant to the NARUC Uniform System of
19 Accounts ("USOA") (Tr. 1083-1092). Staff claims that its recommendation corrects the improper
20 accounting treatment by reducing rate base by the amount of the payment, and amortizing the
21 reduction over the remaining life of the PCG Settlement (Ex. S-45, at 52).

22 RUCO similarly argues that the proceeds of the PCG Settlement were a windfall to Arizona
23 Water's shareholders. RUCO refutes the Company's assertion that the replacement water alone
24 represents sufficient compensation for ratepayers. According to RUCO, the replacement water is
25 nothing more than that to which customers are entitled because it is the Company's obligation to
26 provide its customers with safe drinking water in exchange for being granted an exclusive franchise
27 to serve that area. RUCO recommends that the settlement proceeds should be shared equally
28 between ratepayers and shareholders. RUCO believes that requiring an equal allocation strikes a

1 balance between encouraging the Company to pursue legitimate legal recourse, while at the same
2 time preventing the Company from obtaining an unjustified windfall.

3 Arizona Water disputes Staff's contention that it improperly accounted for the settlement
4 proceeds pursuant to the NARUC USOA. The Company contends that the settlement proceeds were
5 properly included in Account 421-NonUtility Income, and Staff has presented no evidence to the
6 contrary. Arizona Water also argues that both Staff and RUCO have ignored the substantial benefits
7 associated with more reliable and less expensive water supplies that are conferred on customers as a
8 result of the PCG Settlement. The Company points out that the PCG replacement water provides a
9 reliable source of water in an area where lack of water has become a serious issue. Mr. Kennedy
10 estimated that the present value of the replacement water provision in the settlement is between \$5.48
11 and \$7.97 million (Ex. A-16, at 5).

12 Arizona Water cites as precedent for its recommendation Decision No. 58497 (January 14,
13 1994) involving Tucson Electric Power Company ("TEP"). The Company contends that the
14 Commission allowed TEP to retain the \$40 million cash portion of a settlement agreement due to
15 another provision of the settlement that required TEP to share benefits of a 10 year power sharing
16 agreement (Decision No. 58497, at 59-60). Arizona Water argues that, similar to the TEP Decision,
17 the Commission should consider the overall benefits provided by the PCG Settlement rather than
18 focusing solely on the monetary payment of the settlement.

19 We agree with RUCO's recommendation that the monetary proceeds of the PCG Settlement
20 should be shared equally between shareholders and ratepayers. RUCO and Staff argue convincingly
21 that Arizona Water, as holder of the exclusive franchise to provide water service in the Miami area,
22 has an ongoing obligation to obtain and provide adequate and safe water for customers in the service
23 area. The fact that Arizona Water pursued a legal remedy to assure that its water supply would be
24 protected does not necessarily entitle the Company to retain for the exclusive benefit of its
25 shareholders the monetary proceeds from the legal settlement. Although we recognize that the
26 replacement water provision of the PCG Settlement provides ratepayers with the benefit of future
27 quantities of water, the Company also benefits from securing an assured supply of water, effectively
28 eliminating the risk associated with obtaining additional supplies in the area for a number of years. =

1 We believe that the TEP case cited by Arizona Water supports this conclusion. In Decision
2 No. 58497, the Commission allowed TEP to retain for shareholders a \$40 million payment TEP
3 obtained from Southern California Edison Company ("SCE") as part of a legal settlement involving a
4 failed merger. However, it was noted in that Decision that TEP's shareholders had incurred more
5 than \$12 million in legal expenses pursuing the litigation against SCE. In addition, TEP was required
6 to apply the proceeds towards a reduction in its debt service. In this proceeding, there are no similar
7 conditions placed on how Arizona Water's share of the settlement proceeds must be applied. Further,
8 as discussed below, we are allowing Arizona Water to include in rate base more than \$308,000 in
9 legal expenses associated with the PCG litigation (see discussion below). Considering the PCG
10 Settlement in its entirety, we find that splitting the cash proceeds of the agreement equally provides a
11 reasonable balance between the rights and obligations of shareholders and ratepayers and will provide
12 the Company with a sufficient incentive to pursue future litigation or settlement of claims that the
13 Company and its customers may be entitled to receive.

14 **1. PCG Legal Expenses**

15 Staff claims that the Company receives further compensation from the PCG Settlement
16 through the inclusion of capitalized legal fees in rate base (Tr. 1099). RUCO argues on brief that the
17 \$308,005 booked by the Company as legal expenses associated with the PCG Settlement should be
18 removed from plant accounts, reclassified as a separate addition to rate base, and amortized over the
19 life of the agreement (RUCO Brief, at 7-9). RUCO claims that, absent its proposed adjustment,
20 Arizona Water will earn a perpetual return in operating income from inclusion of these legal costs.

21 Arizona Water asserts that there is no evidence in the record to support RUCO's
22 recommendation which was raised for the first time in RUCO's brief. The Company claims that the
23 only record evidence is that the legal costs were incurred to protect its rights to a specified quantity of
24 water, an asset with an unlimited life that is not subject to depreciation (Company Reply Brief, at 41-
25 42).

26 We agree with Arizona Water that there is insufficient evidence in the record of this case to
27 support RUCO's proposed treatment of the PCG Settlement legal costs. RUCO's recommendation
28 was presented for the first time in its initial brief, thereby precluding an opportunity for cross-

1 examination or rebuttal of the proposed alternative treatment. Although we are denying RUCO's
2 recommendation, we believe this issue should be reviewed in the Company's next rate proceeding to
3 allow a full analysis of whether it is appropriate to allow recovery in rate base of legal expenses
4 associated with pursuit of litigation and settlement of legal claims.

5 2. **Miami Purchased Power Expense**

6 Staff witness Hammon testified that because the PCG Settlement provides Arizona Water
7 with up to 600 gpm of replacement water, the Company's purchased power required to pump water in
8 the Miami system has been reduced (Ex. S-52, at 17-18). Accordingly, Staff reduced the Company's
9 purchased power expense in its recommendation regarding allowable expenses (Id.).

10 Arizona Water contends that Staff's recommendation is based on speculation regarding the
11 amount of the Company's future purchased power expenses (Tr. 1134-1135). The Company argues
12 that speculative expense reductions are not a sufficient basis for adopting Staff's recommendation.

13 We agree with the Company that Staff's proposal is based on estimates of future reductions in
14 purchased power. Although Mr. Garfield admitted that Arizona Water did not yet own the PCG
15 wells in question, he testified that PCG may exercise its option under the agreement to convey the
16 wells to the Company (Tr. 252-259). Given the current uncertainty regarding this issue, and the
17 speculative nature of Staff's recommendation, we do not believe it is appropriate to reduce Arizona
18 Water's Miami purchased power expenses in this proceeding.

19 3. **Confidentiality of PCG Settlement**

20 The PCG Settlement contains a confidentiality provision that prohibits Arizona Water from
21 disclosing the terms of the agreement (Ex. S-10). The allegedly confidential information was
22 provided to the Administrative Law Judge and Commissioners. The information was also provided
23 to most of the other parties pursuant to protective agreements. Portions of the hearing were
24 conducted on a closed record and transcripts, exhibits, testimony, and briefs addressing the
25 confidential PCG Settlement issues have, up to this point in time, been maintained under seal.

26 On December 17, 2003, a Procedural Order was issued ruling that Arizona Water's request
27 for confidentiality of the PCG Settlement should be denied. As stated in the December 17, 2003
28 Procedural Order, A.R.S. §39-121 provides that "Public records and other matters in the custody of

1 any officer shall be open to inspection by any person at all times during office hours.” Although
2 there is a strong presumption in favor of disclosure, the right to inspection of public documents is not
3 unlimited. Access to public records may be denied or restricted where “the interests of privacy,
4 confidentiality, or the best interest of the state in carrying out its legitimate activities outweigh the
5 general policy of open access.” *Carlson v. Pima County*, 141 Ariz. 487, at 491, 687 P.2d 1242
6 (1984). The purpose of public records laws is to allow citizens ‘to be informed about what their
7 government is up to.’ *Scottsdale Unified School District v. KPNX Broadcasting Co.*, 191 Ariz. 297,
8 302-303, 955 P.2d 534, 539-540 (1998) (quoting *United States Dep’t. of Justice v. Reporters Comm.*
9 *For Freedom of the Press*, 489 U.S. 749, 773, 109 S.Ct. 1468 (1989). See, also, *A.H. Belo Corp. v.*
10 *Mesa Police Dept.*, 202 Ariz. 184, 42 P.2d 615 (Ariz. Ct. of Appeals 2002).

11 Arizona Water and BHP Copper⁶ contend that disclosure of the terms of the PCG Settlement
12 could have a chilling effect on future settlements between utility companies and third-party litigants.
13 However, the public interest in disclosure outweighs the potential effect on future settlements. This
14 public interest exists in the form of the public’s right to know the underlying basis for how the rates
15 set by the Commission were established. In this case, our decision that the settlement proceeds
16 should be shared equally between shareholders and ratepayers has an effect on the revenue
17 requirement for the Miami system. Thus, public disclosure of the amount of the settlement is
18 necessary to enable the public to assess how the revenue requirement was determined.

19 In addition, we do not believe it is good public policy to retain confidentiality of the terms of
20 a settlement agreement entered into by a regulated utility and a third party simply because disclosure
21 may expose the third party to some future liability for its actions. Although most of the cases on
22 public records address disclosure requirements for records and information maintained by
23 government agencies, the same principles apply equally in situations where, as in this case, the
24 Commission reviewed the terms of the PCG Settlement as part of its ratemaking authority under
25 Article XV of the Arizona Constitution. We find that the presumption in favor of access to public
26 records outweighs the privacy interests expressed by Arizona Water and the PCG Group.

27
28 ⁶ BHP Copper is one of the members of the PCG Group. Counsel for BHP Copper appeared at the December 8, 2003 oral argument in support of maintaining confidentiality of the terms of the settlement agreement.

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. Arizona Water is an Arizona corporation engaged in the business of providing water utility service to the public in portions of Arizona pursuant to authority granted by the Commission.

2. On August 14, 2002, Arizona Water filed with the Commission an application for a permanent increase in water rates for its Eastern Group, consisting of the Company's Apache Junction, Bisbee, Miami, Oracle, San Manuel, Sierra Vista, Superior, and Winkelman systems.

3. By Procedural Order issued October 23, 2002, a hearing was scheduled for June 23, 2003.

4. A Second Rate Case Procedural Order was issued March 14, 2003, granting Staff's Motion to Continue and setting a new hearing date of September 22, 2003. The March 14, 2003 Procedural Order also extended the time clock for a final Commission decision.

5. Intervention was granted to RUCO, the City of Casa Grande, Superstition Mountain, LLC, and Mr. Robert Skiba.

6. Pre-hearing conferences were conducted on March 31, 2003 and September 17, 2003. Public comment hearings were conducted on August 18, 2003 in San Manuel, on August 19, 2003 in Bisbee, and on August 28, 2003 in Apache Junction. The evidentiary hearing commenced on September 22, 2003 and concluded on September 26, 2003.

7. Initial closing briefs were filed on October 31, 2003 and reply briefs were filed on November 10, 2003. An oral argument was conducted on December 8, 2003.

8. Based on the adjusted test year data, as determined herein, the operating income under existing rates for the Eastern Group is \$2,168,327.

9. Based on the adjusted test year data, as determined herein, the fair value rate base for the Eastern Group is \$35,944,611.

10. A fair and reasonable rate of return on fair value rate base is 8.7 percent.

11. The revenue increase proposed by Arizona Water would produce an excessive return

1 on fair value rate base.

2 12. The authorized increase in gross annual revenues for the Eastern Group is \$1,564,803.

3 13. Staff's proposed inverted tier rate structure does not support our conservation goals for
4 usage under 50,000 gallons.

5 14. The rate design adopted herein will promote conservation and send appropriate price
6 signals to all consumers.

7 15. As discussed herein, Arizona Water's Eastern Group Purchased Power and Purchased
8 Water Adjustment Mechanisms should be discontinued.

9 16. Arizona Water's proposal to consolidate the Superior and Apache Junction systems,
10 through the two-step process described herein, is reasonable and shall be adopted.

11 17. Staff's proposed water loss audit and reporting plan is reasonable and shall be
12 adopted.

13 18. Staff's proposed changes to Arizona Water's NP-260 Tariff are reasonable and shall
14 be adopted.

15 19. Arizona Water's proposed Arsenic Cost Recovery Mechanism for the Eastern Group,
16 which is based on the Commission's approval of the Northern Group ACRM in Decision No. 66400,
17 is reasonable and shall be approved.

18 20. Staff's proposed Curtailment Tariff requirement for Arizona Water is reasonable and
19 shall be approved.

20 21. The treatment of the Pinal Creek Group Settlement discussed herein is reasonable and
21 shall be adopted.

22 22. For the Apache Junction system, the rates set herein produce a decrease in annual
23 revenues of 3.29 percent which results in a decrease of 6.5 percent for the average usage 5/8 x 3/4 inch
24 meter customer and a decrease of 3.0 percent for the median usage 5/8 x 3/4 inch customer.

25 23. For the Bisbee system, the rates set herein produce an increase in annual revenues of
26 32.10 percent which results in average and median increases for 5/8 x 3/4 inch meter customers of
27 approximately 22.8 percent and 26.5 percent, respectively.

28 24. For the Miami system, the rates set herein produce an increase in annual revenues of

1 24.24 percent which results in average and median increases for 5/8 x 3/4 inch meter customers of
2 approximately 13.9 percent and 17.7 percent, respectively.

3 25. For the Oracle system, the rates set herein produce an increase in annual revenues of
4 13.04 percent which results in average and median increases for 5/8 x 3/4 inch meter customers of
5 approximately 13.0 percent and 17.3 percent, respectively.

6 26. For the San Manuel system, the rates adopted herein reflect elimination of the
7 purchased water adjustment mechanism and will result in average and median increases for 5/8 x 3/4
8 inch meter customers of approximately 23.8 percent and 26.9 percent, respectively.

9 27. For the Sierra Vista system, the rates set herein produce an increase in annual revenues
10 of 27.82 percent which results in average and median increases for 5/8 x 3/4 inch meter customers of
11 approximately 17.8 percent and 20.4 percent, respectively.

12 28. For the Superior system, the rates set herein produce an increase in annual revenues of
13 50.60 percent which results in the average usage 5/8 x 3/4 inch meter customer experiencing a
14 decrease of approximately 33.8 percent and the median usage 5/8 x 3/4 inch customer experiencing a
15 decrease of approximately 31.8 percent. The decreases for these average and median usage
16 customers are due primarily to consolidation of the Superior and Apache Junction systems, as
17 described herein.

18 29. For the Winkelman system, the rates set herein produce an increase in annual revenues
19 of 24.16 percent which results in average and median increases for 5/8 x 3/4 inch meter customers of
20 approximately 1.4 percent and 2.5 percent, respectively.

21 30. The rates and charges for each system, as attached hereto in the attached Exhibit D
22 and incorporated by reference herein, are reasonable.

23 CONCLUSIONS OF LAW

24 1. Arizona Water is a public service corporation within the meaning of Article XV of the
25 Arizona Constitution and A.R.S. §§40-250 and 40-251.

26 2. The Commission has jurisdiction over the Company and of the subject matter of the
27 Application.

28 3. Notice of the Application was provided in the manner prescribed by law.

4. The rates and charges for each system, as attached hereto in Exhibit D and incorporated by reference herein, are reasonable and shall be approved.

ORDER

IT IS THEREFORE ORDERED that Arizona Water Company is hereby directed to file with the Commission on or before March 31, 2004 revised schedules of rates and charges consistent with Exhibit D and the discussion herein.

IT IS FURTHER ORDERED that the revised schedules of rates and charges shall be effective for all service rendered on and after March 10, 2004.

IT IS FURTHER ORDERED that Arizona Water Company shall notify its affected customers of the revised schedules of rates and charges authorized herein by means of an insert in its next regularly scheduled billing, in a form approved by Staff.

IT IS FURTHER ORDERED that Arizona Water Company shall implement the approved Arsenic Cost Recovery Mechanism for the Eastern Group in accordance with the discussion herein and consistent with the ACRM approved in Decision No. 66400 for Arizona Water's Northern Group.

IT IS FURTHER ORDERED that Arizona Water Company's Eastern Group Purchased Power and Purchased Water Adjustment Mechanisms should be discontinued.

IT IS FURTHER ORDERED that Arizona Water Company shall implement the Water Loss Plan proposed by Staff, as discussed herein, within 120 days of the effective date of this Decision.

IT IS FURTHER ORDERED that Arizona Water Company shall submit an amended NP-260 Tariff, in the form prescribed by Staff and approved herein, by no later than March 31, 2004.

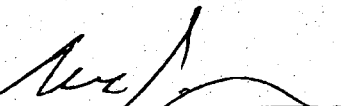

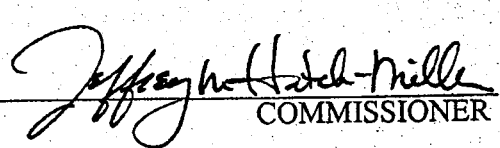

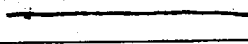
IT IS FURTHER ORDERED that Arizona Water Company shall develop and submit for the approval of Staff a water conservation initiative within 30 days of the effective date of this Decision. Arizona Water Company shall disseminate the notice to all customers affected by this Application, as discussed herein, within 30 days of approval by Staff.

IT IS FURTHER ORDERED that Arizona Water Company shall file a rate case application for its Eastern Group no later than September 30, 2007.

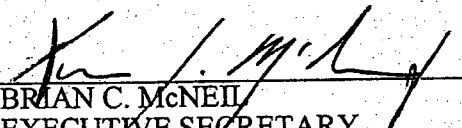
IT IS FURTHER ORDERED that Arizona Water Company shall submit a Curtailment Tariff in the form prescribed by Staff and approved herein, by no later than March 31, 2004.

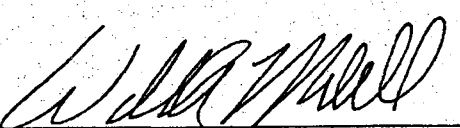
IT IS FURTHER ORDERED that this Decision shall become effective immediately.

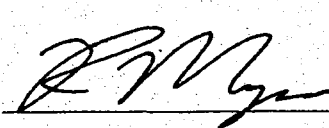
BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

		
CHAIRMAN	COMMISSIONER	COMMISSIONER
		
COMMISSIONER	COMMISSIONER	

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 19th day of March, 2004.


BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT 

DISSENT 
DDN:mlj

1 SERVICE LIST FOR: ARIZONA WATER COMPANY
2 DOCKET NO.: W-01445A-02-0619
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49 Utilities Division
50 ARIZONA CORPORATION COMMISSION
51 1200 West Washington
52 Phoenix, AZ 85007

EXHIBIT A
RATE BASE

LINE NO.	DESCRIPTION	Apache Junction	Bisbee	Miami	Oracle	San Manuel	Sierra Vista	Superior	Winkelman	Eastern Group
1	Company Proposed Rate Base - Rejoinder	\$ 21,722,321	\$ 3,878,994	\$ 4,507,618	\$ 2,706,211	\$ 759,504	\$ 2,512,878	\$ 2,646,023	\$ 269,330	\$ 39,002,879
	ALJ Adjustment	\$ 67,011	\$ 11,966	\$ 13,905	\$ 8,348	\$ 2,343	\$ 7,752	\$ 8,163	\$ 831	\$ 120,319
	ALJ Proposed Rate Base	\$ 21,789,332	\$ 3,890,960	\$ 4,521,523	\$ 2,714,559	\$ 761,847	\$ 2,520,630	\$ 2,654,186	\$ 270,161	\$ 39,123,198
	Adjustments to Accumulated Depreciation	\$ (1,319,494)	\$ (121,028)	\$ (24,822)	\$ (99,812)	\$ 24,869	\$ (92,123)	\$ (77,188)	\$ 7,566	\$ (1,702,012)
2	Adj. to Regulatory Asset/Deferred Credit	\$ -	\$ -	\$ (700,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (700,000)
4	Adjustments to Working Capital	\$ (485,547)	\$ (46,080)	\$ (78,337)	\$ (44,919)	\$ (17,694)	\$ (32,574)	\$ (23,813)	\$ (6,459)	\$ (735,423)
5	Adjustments to CIAC Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Adjustments to CAP Amortization	\$ (69,152)								\$ (69,152)
7	Adj. to Regulatory Liability/Deferred Credit	\$ -		\$ 28,000						\$ 28,000
8	Phx Office/Metrer Shop Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Authorized Rate Base	\$ 19,915,139	\$ 3,723,852	\$ 3,746,364	\$ 2,569,828	\$ 769,042	\$ 2,395,933	\$ 2,553,185	\$ 271,268	\$ 35,944,611

DOCKET NO. W-01445A-02-0619

ARIZONA WATER COMPANY
DOCKET NO. W-01445A-02-0619
TEST YEAR ENDED DECEMBER 31, 2001

DOCKET NO. W-01445A-02-0619

	Apache Junction	Superior	Bisbee	Miami	Oracle	San Manuel	Sierra Vista	Winkelman
Service Charges:								
Establishment	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00
Guarantee Deposit	(c)	(c)	(c)	(c)	(c)	(c)	(c)	(c)
Reconnection for Delinquency (per disconnection)	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00
Re-establishment	(d)	(d)	(d)	(d)	(d)	(d)	(d)	(d)
Service Call Out (After Regular Working Hours Only)	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00
Returned Check Charge	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Meter Re-read (After Regular Working Hours Only)	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00
Meter Test	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Late Charge	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)

(c) Per Commission Rule A.A.C. R14-2-403B
(d) Eight (8) times the customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.
N/A No current tariff.
(e) 1.5 percent after 15 days

Arizona Water Company
Docket No. W-01445A-02-0619
Test Year Ended December 31, 2001

EXHIBIT B
OPERATING STATEMENT

LINE NO.	DESCRIPTION	Apache Junction	Bisbee	Miami	Oracle	San Manuel	Sierra Vista	Superior	Winkelman	Eastern Group
1	Company Test Year Operating Income	\$ 1,862,934	\$ 31,709	\$ 59,991	\$ 167,200	\$ (186,409)	\$ 31,077	\$ (6,904)	\$ 9,436	\$ 1,969,034
2	Adjustments to Revenue	\$ -	\$ (347)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (347)
3	Adjustment to Purchased Water	\$ 5,747	\$ -	\$ -	\$ 916	\$ (7,875)	\$ -	\$ -	\$ -	\$ (1,212)
4	Adjustment to Purchased Power	\$ 6,251	\$ 3,783	\$ 40,123	\$ -	\$ 1,024	\$ 2,544	\$ -	\$ 122	\$ 53,847
5	Adjustments to Water Treatment Expense	\$ (5,320)	\$ 6,143	\$ 62,992	\$ (9,014)	\$ 9,269	\$ 5,031	\$ 8,847	\$ (242)	\$ 77,706
6	Adjustment to Transmission/Distrib. Exp.	\$ 19,050	\$ 4,261	\$ 3,788	\$ 1,724	\$ 1,981	\$ (4)	\$ 1,839	\$ 237	\$ 32,676
7	Adj. to Customer Account Expense	\$ (225)	\$ 3	\$ 1	\$ (5)	\$ 1	\$ (4)	\$ 4	\$ 2	\$ (223)
8	Adj. to Administrative /General Expense	\$ 8,976	\$ 1,996	\$ 2,030	\$ 977	\$ 830	\$ 1,372	\$ 943	\$ 116	\$ 17,240
9	Adj. to Depreciation/Amortization	\$ 337,635	\$ 5,632	\$ 42,131	\$ 1,954	\$ 12,874	\$ 2,256	\$ 2,100	\$ 219	\$ 404,801
10	Adjustment to Property Tax	\$ (57,538)	\$ 5,704	\$ (3,010)	\$ (953)	\$ (6,957)	\$ 5,240	\$ (11,647)	\$ (1,402)	\$ (70,593)
11	Adj. to Federal/State Income tax	\$ (280,267)	\$ 14,509	\$ (98,493)	\$ (5,347)	\$ 16,847	\$ 8,133	\$ 10,404	\$ 597	\$ (333,617)
8	ROO Test Year Adj. Operating Income	\$ 1,897,243	\$ 73,393	\$ 109,553	\$ 157,452	\$ (158,415)	\$ 55,645	\$ 5,386	\$ 9,085	\$ 2,149,342

Arizona Water Company
Docket No. W-01445A-02-0619
Test Year Ended December 31, 2001

EXHIBIT C
REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	Apache Junction	Bisbee	Miami	Oracle	San Manuel	Sierra Vista	Superior	Winkelman	Eastern Group
1	Adjusted Rate Base	\$ 19,915,139	\$ 3,723,852	\$ 3,746,364	\$ 2,569,828	\$ 769,042	\$ 2,395,933	\$ 2,553,185	\$ 271,268	\$ 35,944,611
2	Adjusted Operating Income (Loss)	\$ 1,897,243	\$ 73,393	\$ 109,553	\$ 157,452	\$ (158,414)	\$ 55,645	\$ 5,386	\$ 9,086	\$ 2,149,344
3	Current Rate of Return (L2 / L1)	9.53%	1.97%	2.26%	6.13%	-20.60%	2.32%	0.21%	3.35%	5.98%
4	Required Rate of Return	8.7000%	8.7000%	8.7000%	8.7000%	8.7000%	8.7000%	8.7000%	8.7000%	8.7000%
5	Required Operating Income (L4 * L1)	\$ 1,732,617	\$ 323,975	\$ 325,934	\$ 223,575	\$ 66,907	\$ 208,446	\$ 222,127	\$ 23,600	\$ 3,127,181
6	Operating Income Deficiency (L5 - L2)	\$ (164,626)	\$ 250,582	\$ 215,381	\$ 66,123	\$ 225,321	\$ 152,801	\$ 216,741	\$ 14,515	\$ 977,837
7	Gross Revenue Conversion Factor	1.63195	1.63195	1.63195	1.63195	1.63195	1.63195	1.63195	1.63195	1.63195
8	Increase In Gross Revenue (L7 * L6)	\$ (268,661)	\$ 408,938	\$ 353,123	\$ 107,910	\$ 367,712	\$ 249,365	\$ 353,710	\$ 23,687	\$ 1,595,762
9	Adjusted Test Year Revenue	\$ 8,943,927	\$ 1,256,803	\$ 1,456,939	\$ 827,577	\$ 474,250	\$ 896,485	\$ 698,968	\$ 88,022	\$ 14,652,771
10	Proposed Annual Revenue (L8 + L9) Note A	\$ 8,675,266	\$ 1,665,541	\$ 1,810,062	\$ 935,487	\$ 841,962	\$ 1,145,850	\$ 1,052,678	\$ 121,709	\$ 16,248,553
11	Require Increase in Revenue (%) (L8/L9)	-3.00%	32.54%	24.24%	13.04%	77.54%	27.82%	50.60%	24.16%	10.89%

EXHIBIT D
RATE DESIGN

	Apache Junction	Superior	Bisbee	Miami	Oracle	San Manuel	Sierra Vista	Winkelman
Monthly Usage Charge:								
5/8" x 3/4" Meter	\$ 12.54	\$ 12.54	\$ 16.32	\$ 15.44	\$ 19.31	\$ 19.94	\$ 15.40	\$ 12.95
1" Meter	\$ 34.30	\$ 34.30	\$ 43.78	\$ 38.87	\$ 40.62	\$ 42.51	\$ 32.71	\$ 38.15
2" Meter	\$ 120.20	\$ 120.20	\$ 141.06	\$ 129.86	\$ 166.69	\$ 234.67	\$ 125.47	\$ 81.75
3" Meter	\$ 236.03	\$ 236.03	\$ 267.25	\$ 248.35	\$ 220.51	\$ 358.76	\$ 284.04	\$ 241.28
4" Meter	\$ 480.25	\$ 480.25	\$ 477.98	\$ 497.76	\$ 286.45	\$ 453.35	\$ 398.10	\$ 451.22
6" Meter	\$ 774.01	\$ 774.01	\$ 662.53	\$ 875.26	\$ 341.11	\$ 538.19	\$ 604.72	\$ 616.16
8" Meter	\$ 926.15	\$ 926.15	\$ 891.27	\$ 1,163.12	\$ 625.36	\$ 854.56	\$ 725.66	\$ 764.18
10" Meter	\$ 1,157.69	\$ 1,157.69	\$ 1,200.36	\$ 1,305.25	\$ 837.19	\$ 1,228.50	\$ 907.08	\$ 935.02
Gallons Included In Minimum Charge:								
5/8" x 3/4" Meter	0	0	0	0	0	0	0	0
1" Meter	0	0	0	0	0	0	0	0
2" Meter	0	0	0	0	0	0	0	0
3" Meter	0	0	0	0	0	0	0	0
4" Meter	0	0	0	0	0	0	0	0
6" Meter	0	0	0	0	0	0	0	0
8" Meter	0	0	0	0	0	0	0	0
10" Meter	0	0	0	0	0	0	0	0
Fire Hydrants Used For Construction Water								
	0	0	0	0	0	0	0	0
Commodity Rates :								
Per 1,000 Gallons (In Excess of Minimum)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Per 1,000 Gallons for 0 to 10,000 Gallons	\$ 1.9688	\$ 2.2000	\$ 2.5940	\$ 3.1400	\$ 4.9850	\$ 1.7040	\$ 1.6120	\$ 1.1360
Per 1,000 Gallons for 10,001 to 25,000 Gallons	\$ 2.4610	\$ 2.7500	\$ 3.2420	\$ 3.9250	\$ 6.2310	\$ 2.1300	\$ 2.0150	\$ 1.4200
Per 1,000 Gallons for Gallons in Excess of 25,000	\$ 2.9532	\$ 3.3000	\$ 3.8900	\$ 4.7100	\$ 7.4770	\$ 2.5560	\$ 2.4180	\$ 1.7040
Service Line and Meter Installation Charge:								
5/8" x 3/4" Meter	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
1" Meter	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
2" Meter	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)
3" Meter	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)
4" Meter	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)
6" Meter	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)

(a) No charge for 5/8" and 1" if on existing pipelines. Full cost for 5/8" and 1" if on new pipelines.
(b) Full cost for 2" and larger if on existing or new pipelines.

**RUCO'S RESPONSE TO
CHAPARRAL CITY WATER COMPANY, INC.'S
THIRD SET OF DATA REQUESTS**

Docket No. W-02113A-07-0551

- 3.2 Identify where in Decision No. 68176 the ACC ordered the Company to utilize a particular CIAC amortization rate on a going-forward basis.

Response

RUCO does not believe Decision No. 68176 explicitly required the Company to use a particular CIAC amortization rate. However, the order clearly approved a level of depreciation expense based on the Company's Rebuttal position. See Bourassa Rebuttal Schedule C-2, page 2. The Commission's Decision 68176 authorized a proposed level of OCRB plant in service and the associated depreciation rates per account. The same schedule approves a level of CIAC and an associated amortization rate to derive at the authorized depreciation expense on a going-forward basis.



**SECOND SET OF DATA REQUESTS
FROM CHAPARRAL CITY WATER COMPANY
TO THE UTILITIES DIVISION OF THE
ARIZONA CORPORATION COMMISSION**

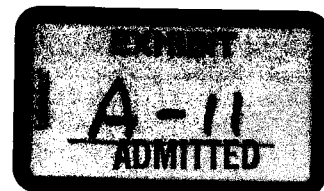
Docket No. W-02113A-07-0551

October 24, 2008

- 2.13. Admit that the Handy-Whitman Index of Public Utility Construction Costs is based on observed changes in the cost of construction.

Response: Admit

Respondent: Marlin Scott



**SECOND SET OF DATA REQUESTS
FROM CHAPARRAL CITY WATER COMPANY
TO THE UTILITIES DIVISION OF THE
ARIZONA CORPORATION COMMISSION**

Docket No. W-02113A-07-0551

October 24, 2008

- 2.14. Admit that the indexes published in the Handy-Whitman Index of Public Utility Construction Costs provide a means of estimating of the current value of utility plant.

Response: Admit

Respondent: Marlin Scott

**SECOND SET OF DATA REQUESTS
FROM CHAPARRAL CITY WATER COMPANY
TO THE UTILITIES DIVISION OF THE
ARIZONA CORPORATION COMMISSION**

Docket No. W-02113A-07-0551

October 24, 2008

- 2.15. Admit that the indexes published in the Handy-Whitman Index of Public Utility Construction Costs are not based on changes in consumer prices.

Response: Admit

Respondent: Marlin Scott

1 BEFORE THE ARIZONA CORPORATIO

2
3 IN THE MATTER OF THE APPLICATION OF) DOCKET NO.
4 OAK CREEK WATER COMPANY NO. 1 FOR) W-01392A-07-0679
5 A RATE INCREASE.)
6
7
8

9 At: Phoenix, Arizona

10 Date: August 5, 2008

11 Filed: **AUG 21 2008**

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DOCKET CONTROL

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17 Arizona Corporation Commission

18 **DOCKETED**

19 **AUG 21 2008**

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1 adjust that. He is stating the same function that was
2 performed in 2003, applying a Handy-Whitman index to it
3 and applying carrying that forward in his average, is
4 that correct?

5 A. That's what I understand. And again I will
6 reiterate that is not a known and measurable change.

7 Q. Well, is averaging a known and measurable
8 change?

9 A. No, it is not. But it is a, as a methodology
10 for normalizing that recognizes actual expenditures, the
11 Handy-Whitman adjustments don't really recognize
12 expenditures. It attempts to update values. And,
13 again, it is nice to bring updated value from 2003 to
14 2007, but if that expenditure wasn't made in 2008, what
15 difference does it make?

16 Q. Isn't that exactly what you are trying to do, is
17 update that cost and compute what should be the cost,
18 what you assume is going to be the cost for the repair
19 and maintenance during this test period that is the
20 surrogate for what costs will be going forward?

21 A. As you well know, this state is a historical
22 test year state. What you want to do is make it a
23 future test year state. And we are not able to do that.

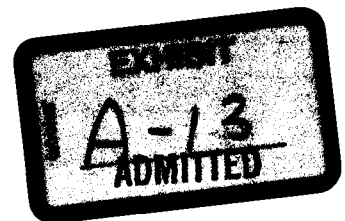
24 Q. Not at all, I am not suggesting that at all,
25 Mr. Carlson. What I am saying is the purpose of trying

**STAFF'S RESPONSE TO THE
FIRST SET OF DATA REQUESTS
FROM CHAPARRAL CITY WATER COMPANY
TO THE ARIZONA CORPORATION COMMISSION STAFF
Docket No. W-02113A-07-0551
October 16, 2008**

1.54. What extenuating circumstances is Staff aware of that led to the increase in chemicals expense?

Response: ~~Increase in chemicals expenses resulted from increases in freight costs and slight increases in unit prices charged by vendors.~~

Respondent: Marvin Millsap



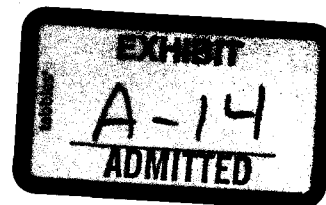
**STAFF'S RESPONSE TO THE
FIRST SET OF DATA REQUESTS
FROM CHAPARRAL CITY WATER COMPANY
TO THE ARIZONA CORPORATION COMMISSION STAFF
Docket No. W-02113A-07-0551
October 16, 2008**

- 1.27. Identify each and every "comparable sized" utility considered by Staff in reaching its recommended level of rate case expense as testified to by Mr. Millsap (Dt at 32).

Response: Based on Mr. Millsap's experience with the Kansas Commission, he considered companies such as Empire District Electric Company, Peoples Natural Gas, Western Resources and One OK.

In addition, Staff notes that rate case expense has been awarded by the Commission in a number of dockets, including, but not limited to, Arizona-American, docket no. 05-0405; Arizona Water, docket no 02-0619, Pine Water, docket no.03-0279.

Respondent: Marvin Millsap; Elijah Abinah



**FOURTH SET OF DATA REQUESTS
FROM CHAPARRAL CITY WATER COMPANY
TO THE ARIZONA CORPORATION COMMISSION STAFF**

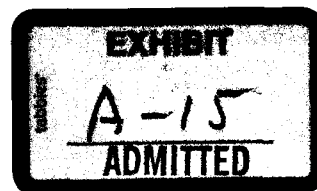
Docket No. W-02113A-07-0551

November 10, 2008

- 4.4. If Staff assumes a 2% inflation rate, why wouldn't Staff assume that the Company's operating expenses will increase by 2% per year?

Response: The inflationary considerations for rate of return and for operating expenses are independent and different.

Respondent: Marvin Millsap



BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON

Chairman

WILLIAM A. MUNDELL

Commissioner

JEFF HATCH-MILLER

Commissioner

KRISTIN K. MAYES

Commissioner

GARY PIERCE

Commissioner

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-02113A-07-0551
CHAPPARAL CITY WATER COMPANY, INC.,)
AN ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE FAIR VALUE OF)
ITS UTILITY PLANT AND PROPERTY AND)
FOR INCREASES IN ITS RATES AND)
CHARGES FOR UTILITY SERVICE BASED)
THEREON.)

DIRECT

TESTIMONY

OF

PEDRO M. CHAVES

PUBLIC UTILITIES ANALYST III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

OCTOBER 3, 2008

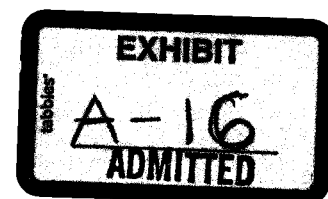


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**EXECUTIVE SUMMARY
CHAPARRAL CITYWATER COMPANY
DOCKET NO. W-02113A-07-0551**

The direct testimony of Staff witness Pedro M. Chaves addresses the following issues:

Capital Structure – Staff recommends that the Commission adopt a capital structure for Chaparral City Water Company, Inc. (“Chaparral City” or “Applicant”) for this proceeding consisting of 24.4 percent debt and 75.6 percent equity.

Cost of Equity – Staff recommends that the Commission adopt a 10.0 percent return on equity (“ROE”) for the Applicant. Staff’s estimated ROE for the Applicant is based on cost of equity estimates for the sample companies ranging from 9.3 percent for the discounted cash flow method (“DCF”) to 14.3 percent for the capital asset pricing model (“CAPM”). Staff’s ROE recommendation includes a 1.8 percent downward adjustment due to the lower financial risk reflected in the Applicant’s capital structure in relation to that of the sample companies.

Cost of Debt – Staff recommends that the Commission adopt a 5.0 percent cost of debt.

Fair Value Rate of Return – Staff recommends that the Commission adopt a fair value rate of return (“FVROR”) of 7.6 percent.

Mr. Bourassa’s Testimony – The Commission should reject the Applicant’s proposed capital structure, composed of 23.4 percent debt and 76.6 percent equity, and requested 5.5 percent cost of debt since they represent outdated information. The Commission should also reject the Applicant’s proposed 10.5 percent ROE for the following reasons: 1) Mr. Bourassa’s DCF estimates rely exclusively on analyst’s forecasts; 2) Mr. Bourassa does not use dividend per share growth in his DCF estimates; and 3) Mr. Bourassa’s recommendation relies on forecasted interest rates.

I. INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Pedro M. Chaves. I am a Public Utilities Analyst employed by the Arizona Corporation Commission ("Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Briefly describe your responsibilities as a Public Utilities Analyst.

A. In my position as a Public Utilities Analyst, I perform studies to estimate the cost of capital component of the overall revenue requirement calculation in rate filings. I also perform analyses regarding requests for financing authorization and other financial regulatory matters.

Q. Please describe your educational background and professional experience.

A. I am a graduate of Arizona State University and received a Bachelor of Science degree in Global Business with a specialization in finance. My course of studies included classes in corporate and international finance, investments, accounting, statistics, and economics. I began employment as a Staff Public Utilities Analyst in December 2005.

Q. What is the scope of your testimony in this case?

A. I provide Staff's recommended capital structure, cost of debt, return on equity ("ROE") and fair value rate of return ("FVROR") in this case. I discuss the appropriate capital structure, cost of debt, ROE and FVROR for establishing the revenue requirement for Chaparral City Water Company, Inc. ("Chaparral City" or "Applicant").

1 **Summary of Testimony and Recommendations**

2 **Q. Briefly summarize how Staff's cost of capital testimony is organized.**

3 A. Staff's cost of capital testimony is presented in ten sections. Section I is this introduction.
4 Section II discusses the concept of weighted average cost of capital ("WACC"). Section
5 III presents the concept of capital structure and presents Staff's recommended capital
6 structure for Chaparral City in this proceeding. Section IV discusses the concepts of ROE
7 and risk. Section V presents the methods employed by Staff to estimate Chaparral City's
8 ROE. Section VI presents the findings of Staff's ROE analysis. Section VII presents
9 Staff's final cost of equity estimates for Chaparral City. Section VIII presents Staff's
10 weighted average cost of capital. Section IX presents Staff's FVROR recommendation.
11 Section X presents Staff's comments on the direct testimony of Mr. Thomas J. Bourassa in
12 support of the Applicant's proposed cost of capital ("Mr. Bourassa's Direct Testimony").
13 Lastly, Section XI presents the conclusions.

14
15 **Q. Have you prepared any exhibits to accompany your testimony?**

16 A. Yes. I prepared ten schedules (PMC-1 to PMC-10) that support Staff's cost of capital
17 analysis.

18
19 **Q. What is Staff's weighted average cost of capital for Chaparral City?**

20 A. Staff's WACC is 8.8 percent and it is calculated in Schedule PMC-1. Staff's WACC is
21 based on cost of equity estimates for Chaparral City that range from 9.3 percent to 14.3
22 percent. Staff's ROE recommendation includes a 1.8 percent downward adjustment due
23 to the lower financial risk reflected in the Applicant's capital structure in relation to that of
24 the sample companies.

1 **Q. What is Staff's recommended fair value rate of return for Chaparral City?**

2 A. Staff recommends a 7.6 percent FVROR. Staff's recommended 7.6 percent FVROR is
3 calculated in Schedule PMC-2.

4
5 **Applicant's Proposed Overall Rate of Return**

6 **Q. Briefly summarize the Applicant's proposed capital structure, cost of debt, return on
7 equity and overall rate of return for this proceeding.**

8 A. Table 1 summarizes the Applicant's proposed hypothetical capital structure, cost of debt,
9 return on equity and overall cost of capital and FVROR in this proceeding:

10
11 **Table 1**

	Weight	Cost	Weighted Cost
Long-term Debt	23.4%	5.5%	1.3%
Common Equity	76.6%	10.5%	<u>8.0%</u>
Cost of Capital (FVROR)			9.3%

12 Chaparral City is proposing an overall cost of capital, i.e., FVROR of 9.3 percent.
13

14 **II. THE WEIGHTED AVERAGE COST OF CAPITAL**

15 **Q. Please define the cost of capital concept.**

16 A. The cost of capital is the opportunity cost represented by anticipated returns or earnings
17 that are foregone by choosing one investment over others with equivalent risk. In other
18 words, the cost of capital is the return that shareholders expect for committing their
19 resources in a determined business enterprise.

1 **Q. What is the overall cost of capital?**

2 A. The overall cost of capital is equal to the weighted average cost of capital.

3
4 **Q. How is the WACC calculated?**

5 A. The WACC is calculated by adding the weighted expected returns of a firm's securities.
6 Equation 1 that follows presents the WACC as a mathematical expression.

7 Equation 1.

8
9
$$\text{WACC} = \sum_{i=1}^n W_i * r_i$$

10

11
12 In this equation, W_i is the weight given to the i^{th} security (the proportion of the i^{th} security
13 relative to the portfolio) and r_i is the expected return on the i^{th} security.

14
15 **Q. Can you provide an example demonstrating application of Equation 1?**

16 A. Yes. For this example, assume that an entity has a capital structure composed of 35
17 percent debt and 65 percent equity. Also, assume that the embedded cost of debt is 6.0
18 percent and the expected return on equity, i.e. the cost of equity, is 10.0 percent.
19 Calculation of the WACC is as follows:

20
$$\text{WACC} = (35\% * 6.0\%) + (65\% * 10.0\%)$$

21
$$\text{WACC} = 2.10\% + 6.50\%$$

22
$$\text{WACC} = 8.60\%$$

23

24 The weighted average cost of capital in this example is 8.60 percent. The entity in this
25 example would need to earn an overall rate of return of 8.60 percent to cover its cost of
26 capital.

III. CAPITAL STRUCTURE

Background

Q. Please explain the capital structure concept.

A. The capital structure of a firm is the relative proportions of short-term debt, long-term debt (including capital leases), preferred stock and common stock that are used to finance the firm's assets.

Q. How is the capital structure expressed?

A. The capital structure of a company is expressed as the percentage of each component of the capital structure (capital leases¹, short-term debt, long-term debt, preferred stock and common stock) relative to the total capital (the total sum of all the components of the capital structure).

For instance, the capital structure for an entity that is financed by \$5,000 of short-term debt, \$15,000 of capital leases, \$30,000 of long-term debt, \$10,000 of preferred stock and \$40,000 of common stock is shown in Table 2.

Table 2

Component			%
Short-Term Debt	\$5,000	$(\$5,000/\$100,000)$	5.0%
Capital Leases	\$15,000	$(\$15,000/\$100,000)$	15.0%
Long-Term Debt	\$30,000	$(\$30,000/\$100,000)$	30.0%
Preferred Stock	\$10,000	$(\$10,000/\$100,000)$	10.0%
Common Stock	\$40,000	$(\$40,000/\$100,000)$	40.0%
Total	\$100,000		100%

¹ Capital leases are a specific form of long-term debt.

The capital structure in this example is composed of 5.0 percent short-term debt, 15.0 percent capital leases, 30.0 percent long-term debt, 10.0 percent preferred stock and 40.0 percent common stock.

Applicant's Capital Structure

Q. What capital structure does the Applicant propose?

A. The Applicant proposes a hypothetical capital structure composed of 23.4 percent debt and 76.6 percent common equity.

Q. What capital structure does Staff recommend?

A. Staff recommends a capital structure of 24.4 percent debt and 75.6 percent equity, to reflect Chaparral City's most recent debt and equity positions, as displayed in Schedule PMC-10 and summarized in Table 3, below.

Table 3

Chaparral City Water Company, Inc. Capitalization		
	<u>Amount outstanding as of 6/30/2008</u>	<u>Percentage of Capital Structure</u>
Total Debt	\$ 8,635,000.00	24.4%
Total Common Equity	\$ 26,690,000	75.6%
Total Capitalization	\$ 35,325,000	100.0%

Q. How does Chaparral City's actual capital structure compare to capital structures of publicly traded water utilities?

A. The Applicant's actual capital structure is composed of 24.4 percent debt and 75.6 percent equity. Schedule PMC-4 shows the capital structures of six publicly traded water

1 companies ("sample water companies") as of March 31, 2008². The average capital
2 structure for the sample water utilities is comprised of approximately 49.9 percent debt
3 and 50.1 percent equity.
4

5 **IV. RETURN ON EQUITY**

6 **Background**

7 **Q. Please define the term "cost of equity capital."**

8 A. The cost of equity capital is determined by the market. It is the rate of return that
9 investors expect to earn on their equity investment in an entity given its risk. In other
10 words, the cost of equity to an entity is the investors' expected rate of return on other
11 investments of similar risk.
12

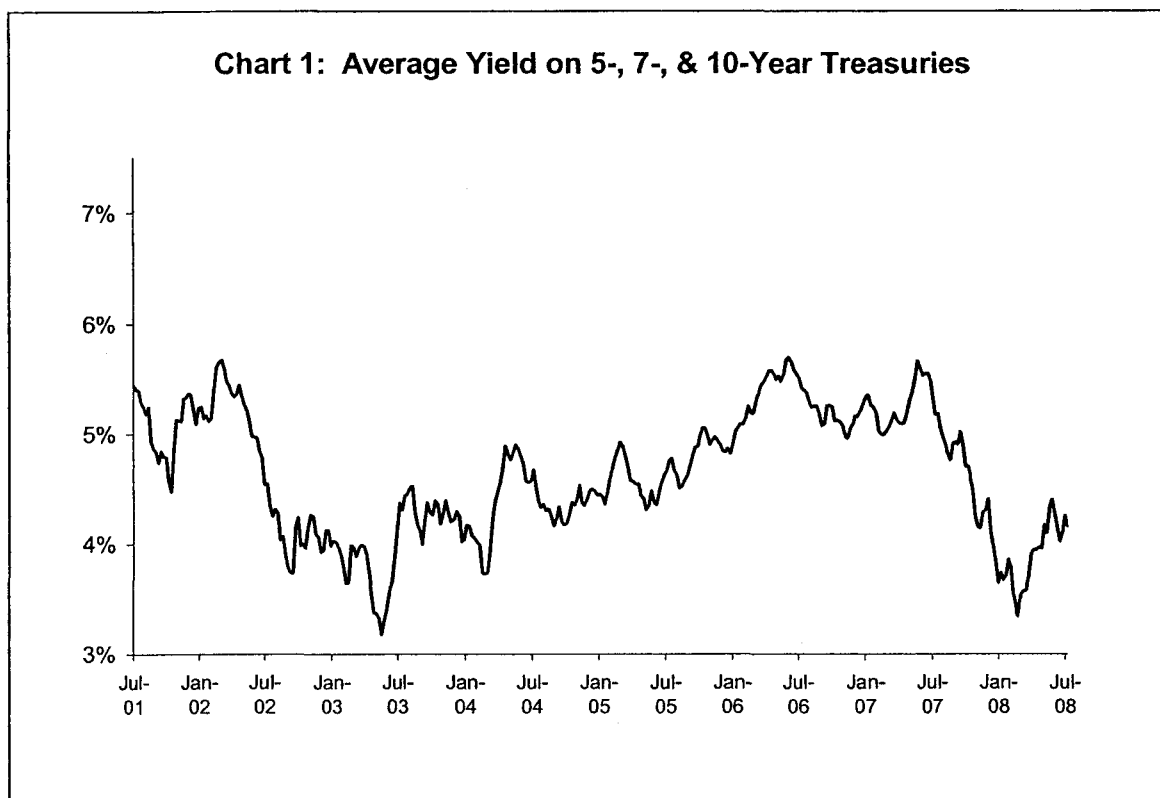
13 **Q. Is there any relationship between interest rates and the cost of equity capital?**

14 A. Yes. The cost of equity tends to move in the same direction as interest rates. This
15 relationship is integral to the capital asset pricing model ("CAPM") formula. The CAPM
16 is a market based model used for estimating the cost of equity capital that is discussed in
17 Section V of this testimony. Therefore, a comparison of current interest rates to historical
18 interest rates provides insight for how the current cost of equity capital might be compared
19 to the cost of equity capital historically.
20

21 **Q. What has been the general trend of interest rates in recent years?**

22 A. A chronological chart of interest rates is a good tool to show interest rate history and
23 identify trends. Chart 1 graphs intermediate U.S. treasury rates from July 2002 to July
24 2008.

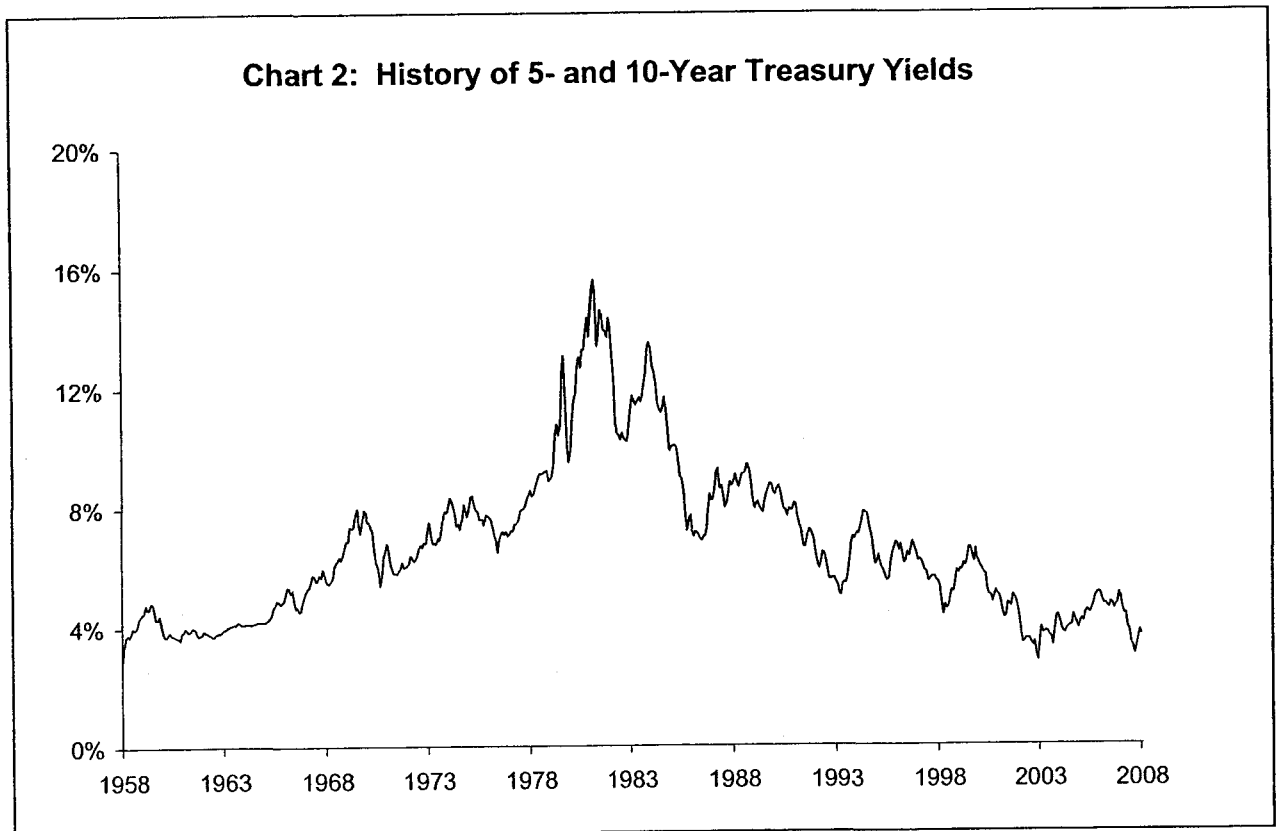
² Value Line Summary & Index. 7-25-08



14
15 Chart 1 shows that intermediate interest rates trended downward from 2001 to mid-2003;
16 then, trended upward to mid-2006; subsequently, remained relatively steady at about 5
17 percent to mid-2007; and have declined since then to about 4 percent.

18
19 **Q. How do current interest rates compare to a longer term history of interest rates, and**
20 **what does it suggest for capital costs?**

21 **A.** Chart 2 shows that interest rates have trended downward in the immediate past period of
22 approximately 25 years. It also shows that interest rates over the past 40 years have been
23 higher than currently. The inference from the relationship between interest rates and the
24 cost of equity capital is that current capital costs are low in comparison to historical capital
25 costs.



Source: Federal Reserve

14
15 **Q. Do actual returns represent the cost of equity?**

16 A. No. The cost of equity represents investors' *expected* returns not realized accounting
17 returns.

18
19 **Q. Is there any information available that leads to an understanding of the relationship
20 between the equity returns required for a regulated water utility versus the market?**

21 A. Yes. A comparison of betas, a component of the CAPM discussed in Section V, for the
22 water utility industry and the market provides insight into this relationship. The average
23 beta $(1.01)^3$ for a water utility is about the same than the theoretical average beta for all
24 stocks (1.0). According to the CAPM formula, the cost of equity capital moves in the
25 same direction as beta. Since the beta for the water utility industry is about the same than

³ See Schedule PMC-7

1 the beta for the market, the implication is that the required return on equity for a regulated
2 water utility is approximately the average required return on the market.

3
4 **Risk**

5 **Q. Please define risk.**

6 A. Risk, as it relates to an investment, is generally recognized as the variability or uncertainty
7 of the returns on the investment. Risk is often separated into two components. Those
8 components are market risk (systematic risk) and non-market risk (unique risk).

9
10 **Q. What is market risk?**

11 A. Market risk or systematic risk is the risk that changes in the stock market as a whole will
12 cause changes in the stock price of a particular entity. Market risk is related to the
13 economy-wide perils that affect all business such as inflation, interest rates, and general
14 business cycles. Market risk affects all stocks and it cannot be eliminated by
15 diversification, i.e., it is non-diversifiable. However, the impact on each entity is not
16 necessarily the same. Accordingly, market risk is the only risk that affects the cost of
17 equity.

18
19 **Q. Is there a measure for market risk?**

20 A. Yes. Market risk is measured by the beta. Beta reflects both the business risk and
21 financial risk of an entity.

22
23 **Q. How are business and financial risks defined?**

24 A. Business risk is that risk which is associated with the fluctuation in earnings due to the
25 basic nature of an entity's business. Financial risk is that risk which affects shareholders
26 due to a firm's use of fixed obligation (i.e., debt) financing.

1 **Q. Is the cost of equity affected by both business and financial risk?**

2 A. Yes.

3
4 **Q. What is the relationship between the capital structure of a firm and its financial**
5 **risk?**

6 A. As previously discussed, the relative proportions of short-term debt, long-term debt
7 (including capital leases), preferred stock and common stock used to finance an entity's
8 assets represent its capital structure. Financial risk increases as an entity includes a greater
9 proportion of fixed obligation financing in its capital structure (i.e., as it becomes more
10 leveraged). An increase in financial risk is reflected in the market risk measured by beta
11 resulting in an increase in an entity's cost of equity.

12
13 **Q. How does Chaparral City's financial risk compare to the sample water companies'**
14 **financial risk from the perspective of an investor?**

15 A. From an investor's perspective Chaparral City's capital structure is composed of
16 approximately 24.4 percent debt and 75.6 percent equity. Schedule PMC-4 shows the
17 capital structures of six publicly traded water companies ("sample water companies") as
18 of March 31, 2008, as well as Chaparral City's actual capital structure. As of March 31,
19 2008, the sample water utilities were capitalized with approximately 49.9 percent debt and
20 50.1 percent equity, while Chaparral City's actual capital structure consists of
21 approximately 24.4 percent debt and 75.6 percent equity. Consequently, Chaparral City's
22 shareholders bear less financial risk than the shareholders of the sample water companies.

23
24 **Q. What is non-market risk?**

25 A. Non-market (unique risk) is risk related to an individual entity. There is no correlation
26 among entities for unique risk; accordingly, it can be eliminated through diversification.

1 Specifically, investors can eliminate unique risk by holding a diversified investment
2 portfolio.

3
4 **Q. Is unique risk measured by beta?**

5 A. No. Unique risk is not measured by beta.

6
7 **Q. Is the cost of equity affected by unique risk?**

8 A. No. Since unique or firm-specific risk can be eliminated through diversification, it does
9 not affect the cost of equity capital.

10
11 **Q. What additional return can investors expect to account for unique risk?**

12 A. None. Investors who hold diversified portfolios can eliminate unique risk, and
13 consequently do not require any related additional return. Since investors who choose to
14 be less than fully diversified must compete in the market with fully diversified investors,
15 the former cannot expect to be compensated for unique risk.

16
17 **V. ESTIMATING THE COST OF EQUITY**

18 **Introduction**

19 **Q. Did Staff directly estimate the cost of equity for the Applicant?**

20 A. No. Staff did not directly estimate Chaparral City's cost of equity for two reasons. First,
21 Chaparral City's stock is not publicly traded; therefore, its cost of equity cannot be
22 estimated because the required information is not available to perform the analysis.
23 Second, using an average of a representative sample group reduces the potential for
24 random fluctuations resulting in a more reliable estimate, vis-à-vis relying on a single
25 entity.

1 **Q. What companies did Staff select as proxies or comparables for Chaparral City?**

2 A. Staff selected six publicly traded water utilities shown in Schedule PMC-4. Staff chose
3 these six entities because they derive most of their earnings from regulated operations, and
4 they are currently analyzed by *The Value Line Investment Survey Small and Mid Cap*
5 *Edition* ("Value Line Small Cap") and *The Value Line Investment Survey* ("Value Line")
6 making available the necessary information to perform a cost of capital estimation for
7 Chaparral City.

8
9 **Q. What models did Staff implement to estimate Chaparral City's cost of equity?**

10 A. The cost of equity is determined by the market; therefore, Staff used two market-based
11 models to estimate the cost of equity for Chaparral City: the discounted cash flow model
12 ("DCF") and the CAPM.

13
14 **Q. Explain why Staff chose the DCF and CAPM?**

15 A. Staff chose to use the DCF and CAPM because they are widely recognized as appropriate
16 market-based models and have been used extensively to estimate the cost of equity. A
17 description of the DCF and then the CAPM begins immediately below.

18
19 **Discounted Cash Flow Model Analysis**

20 **Q. Please provide a brief summary of the theory underlying use of the DCF to estimate**
21 **the cost of equity.**

22 A. The theory underlying use of the DCF to estimate the cost of capital is that the cost of
23 equity is that discount rate which equates the current market price to all future cash flows
24 expected by investors. That is, the cost of equity is the rate that future expected cash
25 flows (primarily dividends) must be discounted to equal a given market price.

1 In the 1960s, Professor Myron Gordon pioneered the use of the DCF method to estimate
2 the cost of capital for a public utility. The DCF model has become widely used due to its
3 theoretical merit and its simplicity.
4

5 **Q. How is the DCF model applied?**

6 A. The DCF model is applied via a mathematical formula where the current market price, the
7 expected dividend, and projected dividend growth rate are inputs, while the discount rate
8 (cost of equity) is the result. The formula can be applied to a sample of companies that
9 exhibit similar risk to the entity whose cost of equity is being estimated and the results
10 averaged to arrive at an estimate of the cost of equity for the subject entity.
11

12 **Q. Did Staff apply more than one version of the DCF?**

13 A. Yes. Staff applied two versions of the DCF: the constant-growth DCF and the multi-stage
14 or non-constant growth DCF. The constant-growth DCF assumes that an entity will grow
15 indefinitely at the same rate. Alternately, the non-constant growth DCF does not assume
16 one constant, indefinite dividend growth rate.

1 The Constant-Growth DCF

2 **Q. What is the mathematical formula used in Staff's constant-growth DCF analysis?**

3 A. The constant-growth DCF formula used in Staff's analysis is:

Equation 2 :

$$K = \frac{D_1}{P_0} + g$$

where : K = the cost of equity
 D_1 = the expected annual dividend
 P_0 = the current stock price
 g = the expected infinite annual growth rate of dividends

4
5 Equation 2 assumes that the entity has a constant earnings retention rate and that its
6 earnings are expected to grow at a constant rate. According to Equation 2, a stock with a
7 current market price of \$10 per share, an expected annual dividend of \$0.39 per share and
8 an expected dividend growth rate of 5.0 percent per year has a cost of equity to the entity
9 of 8.9 percent reflected by the sum of the dividend yield ($\$0.39 / \$10 = 3.9$ percent) and the
10 5.0 percent annual dividend growth rate.

11
12 **Q. How did Staff calculate the dividend yield component (D_1/P_0) of the constant-growth**
13 **DCF formula?**

14 A. Staff calculated the yield component of the DCF formula by dividing the expected annual
15 dividend⁴ (D_1) by the spot stock price (P_0) after the close of the market August 6, 2008, as
16 reported by *MSN money*.

⁴ Value Line Summary & Index. 7-25-08

1 **Q. Why did Staff use the spot stock price rather than a historical average stock price to**
2 **calculate the dividend yield component of the DCF formula?**

3 A. Use of the current market stock price (spot stock price) is consistent with finance theory,
4 i.e., the efficient market hypothesis. This hypothesis asserts that the current stock price
5 reflects information investors use to form expectations of future returns. Use of a
6 historical average of stock prices illogically discounts the most recent information in favor
7 of less recent information. The latter is stale and is representative of underlying
8 conditions that may have changed.

9
10 **Q. How did Staff estimate the dividend growth (g) component of the constant-growth**
11 **DCF model represented by Equation 2?**

12 A. The dividend growth component for Staff's constant-growth DCF model is the average of
13 six different estimation methods as shown in Schedule PMC-8. Staff computed both
14 historical and projected growth estimates on dividend-per-share ("DPS")⁵, earnings-per-
15 share ("EPS")⁶ and sustainable growth bases.

16
17 **Q. Why did Staff examine EPS growth to estimate the dividend growth component of**
18 **the constant-growth DCF model?**

19 A. Staff examined EPS growth (both historical and projected) because dividends are
20 dependent on earnings. Dividend distribution in excess of earnings results in capital
21 contraction. Continued capital contraction is not sustainable in the long run, and it is
22 inconsistent with the constant-growth DCF model. Therefore, EPS growth is an
23 appropriate consideration for estimating expected dividend growth.

⁵ Derived from information provided by *Value Line*

⁶ Derived from information provided by *Value Line*

1 **Q. How did Staff estimate historical DPS growth?**

2 A. Staff estimated historical DPS growth by calculating the average rate of growth in DPS of
3 the sample water companies from 1997 to 2007. The results of that calculation are shown
4 in Schedule PMC-5. Staff calculated an average historical DPS growth rate of 2.9 percent
5 for the sample water utilities for the period 1997 to 2007.

6
7 **Q. How did Staff estimate the projected DPS growth?**

8 A. Staff calculated an average of the projected DPS growth rates for the sample water utilities
9 from *Value Line*. The average projected DPS growth rate is 4.2 percent as shown in
10 Schedule PMC-5.

11
12 **Q. How did Staff calculate the historical EPS growth rate?**

13 A. Staff estimated historical EPS growth by calculating the average rate of growth in EPS of
14 the sample water companies from 1997 to 2007. The results of that calculation are shown
15 in Schedule PMC-5. Staff calculated an average historical EPS growth rate of 3.6 percent
16 for the sample water utilities for the period 1997 to 2007.⁷

17
18 **Q. How did Staff estimate the projected EPS growth?**

19 A. Staff calculated an average of the projected EPS growth rates for the sample water utilities
20 from *Value Line*. The average projected EPS growth rate is 8.4 percent as shown in
21 Schedule PMC-5.

⁷ Staff has excluded one data input from the calculation. EPS from the period of 1997 to 2007 for California Water resulted in a negative 2.0 percent EPS growth rate. Staff excluded the negative result of the calculation of average growth in EPS for the sample companies in that period, because negative growth is inconsistent with the DCF model.

1 **Q. How did Staff calculate its historical and projected sustainable growth rates?**

2 A. Staff's historical and projected sustainable growth rates were calculated by adding their
3 respective retention growth rate terms (br) to their respective stock financing growth rate
4 terms (vs) as shown in Schedule PMC-6.

5
6 **Q. What is retention growth?**

7 A. Retention growth is the growth in dividends due to the retention of earnings. Viewed
8 differently, an entity cannot expect to grow dividends if it does not retain any earnings.
9 Retention growth is dependent on the percentage of earnings retained (retention ratio) and
10 the value of earnings. Mathematically, the retention growth rate is the product of the
11 retention ratio and the book/accounting return on equity.

12
13 **Q. What is the formula for the retention growth rate?**

14 A. The retention growth rate formula is:

15 Equation 3:

$$\text{Retention Growth Rate} = br$$

where : b = the retention ratio (1 – dividend payout ratio)
 r = the accounting/book return on common equity

16
17 **Q. How did Staff calculate the average historical retention growth rate (br) for the**
18 **sample water utilities?**

19 A. First, Staff calculated the retention rate for each of the sample water companies from 1998
20 to 2007. Then Staff calculated the mean of those results. The historical average retention
21 (br) growth for the sample water utilities is 2.9 percent as shown in Schedule PMC-6.

1 **Q. How did Staff determine projected retention growth rate (br) for the sample water**
2 **utilities?**

3 A. Staff used the retention growth projections for the sample water utilities for the period
4 2011 to 2013 from *Value Line*. The projected average retention growth rate for the sample
5 water utilities is 5.5 percent as shown in Schedule PMC-5.

6
7 **Q. When can retention growth provide a reasonable estimate of future dividend**
8 **growth?**

9 A. The retention growth rate is a reasonable estimate of future dividend growth when the
10 retention ratio is reasonably constant and the entity's market price to book value ("market-
11 to-book ratio") is expected to be 1.0. The average retention ratio has been reasonably
12 constant in recent years. However, the market-to-book ratio for the sample water utilities
13 is 2.0, notably higher than 1.0, as shown in Schedule PMC-7.

14
15 **Q. Is there any financial implication of a market-to-book ratio greater than 1.0?**

16 A. Yes. A market-to-book ratio greater than 1.0 implies that investors expect an entity to
17 earn an accounting/book return on its equity that exceeds its cost of equity. The
18 relationship between required returns and expected cash flows is readily observed in the
19 fixed securities market. For example, assume an entity contemplating issuance of bonds
20 with a face value of \$10 million at either 5 percent or 7 percent, and thus, paying annual
21 interest of \$500,000 or \$700,000, respectively. Regardless of investors' required return on
22 similar bonds, investors will be willing to pay more for the bonds if issued at 7 percent
23 than if the bonds are issued at 5 percent. For example, if the current interest rate required
24 by investors is 5 percent, then they would bid \$10 million for the 5 percent bonds and
25 more than \$10 million for the 7 percent bonds. Similarly, if equity investors require a 7
26 percent return and expect an entity to earn accounting/book returns of 11 percent, the

1 market will bid up the price of the entity's stock to provide the required return of 7
2 percent.

3
4 **Q. How has Staff generally recognized a market-to-book ratio exceeding 1.0 in its cost of**
5 **equity analyses in recent years?**

6 A. First, Staff has assumed that investors expect the market-to-book ratio to remain greater
7 than 1.0. Given that assumption, Staff has added a stock financing growth rate (vs) term
8 to the retention ratio (br) term to calculate its historical and projected sustainable growth
9 rates.

10
11 **Q. Do the historical and projected sustainable growth rates Staff uses to develop its**
12 **DCF cost of equity in this case continue to include a stock financing growth rate**
13 **term?**

14 A. Yes.

15
16 **Q. What is stock financing growth?**

17 A. Stock financing growth is the growth in an entity's dividends due to the sale of stock by
18 that entity. Stock financing growth is a concept derived by Myron Gordon and discussed
19 in his book *The Cost of Capital to a Public Utility*.⁸ Stock financing growth is the product
20 of the fraction of the funds raised from the sale of stock that accrues to existing
21 shareholders (v) and the fraction resulting from dividing the funds raised from the sale of
22 stock by the existing common equity (s).

23
24

⁸ Gordon, Myron J. *The Cost of Capital to a Public Utility*. MSU Public Utilities Studies, Michigan, 1974. pp 31-35.

1 **Q. What is the mathematical formula for the stock financing growth rate?**

2 **A.** The mathematical formula for stock financing growth is:

Equation 4 :

$$\text{Stock Financing Growth} = vs$$

where : v = Fraction of the funds raised from the sale of stock that accrues
to existing shareholders

s = Funds raised from the sale of stock as a fraction of the existing
common equity

3

4 **Q. How is the variable v presented above calculated?**

5 **A.** Variable v is calculated as follows:

6

Equation 5 :

$$v = 1 - \left(\frac{\text{book value}}{\text{market value}} \right)$$

7

8 For example, assume that a share of stock has a \$40 book value and is selling for \$50.

9 Then, to find the value of v , the formula is applied:

$$v = 1 - \left(\frac{40}{50} \right)$$

10

11 In this example, v is equal to 0.20.

1 **Q. How is the variable s presented above calculated?**

2 A. Variable s is calculated as follows:

3
4 Equation 6:

5
6
$$s = \frac{\text{Funds raised from the issuance of stock}}{\text{Total existing common equity before the issuance}}$$

7
8

9 For example, assume that an entity has \$100 in existing equity, and it sells \$10 of stock.

10 Then, to find the value of s , the formula is applied:

11
12
$$s = \left(\frac{10}{100} \right)$$

13

14 In this example, s is equal to 10.0 percent.

15 **Q. What is the vs term when the market-to-book ratio is equal to 1.0?**

16 A. A market-to-book ratio equal to 1.0 reflects that investors expect an entity to earn a
17 book/accounting return on their equity investment equal to the cost of equity. When the
18 market-to-book ratio is equal to 1.0, none of the funds raised from the sale of stock by the
19 entity accrues to the benefit of existing shareholders, i.e., the term v is equal to zero (0.0).
20 Consequently, the vs term is also equal to zero (0.0). When stock financing growth is
21 zero, dividend growth depends solely on the br term.

22 **Q. What is the effect of the vs term when the market-to-book ratio is greater than 1.0?**

23 A. A market-to-book ratio greater than 1.0 reflects that investors expect an entity to earn a
24 book/accounting return on their equity investment greater than the cost of equity.

1 Equation 5 shows that when the market-to-book ratio is greater than 1.0 the v term is also
2 greater than zero. The excess by which new shares are issued and sold over book value
3 per share of outstanding stock is a contribution that accrues to existing stockholders in the
4 form of a higher book value. The resulting higher book value leads to higher expected
5 earnings and dividends. Continued growth from the vs term is dependent upon the
6 continued issuance and sale of additional shares at a price that exceeds book value per
7 share.

8
9 **Q. What vs estimate did Staff calculate from its analysis of the sample water utilities?**

10 A. Staff estimated an average stock financing growth of 2.5 percent for the sample water
11 utilities as shown in Schedule PMC-6.

12
13 **Q. What would occur if an entity had a market-to-book ratio greater than 1.0 due to
14 investors expecting earnings to exceed the cost of equity capital and the entity
15 subsequently experienced newly authorized rates equal to its cost of equity capital?**

16 A. There would be downward pressure on the entity's stock price to reflect the change in
17 future expected cash flows because, in theory, the market-to-book ratio should decline to
18 1.0.

19
20 **Q. What is implied by Staff's continued use of the vs term in the historical and projected
21 sustainable growth rates Staff uses to develop its DCF cost of equity in this case?**

22 A. The implication is that there are expectations regarding the market-to-book ratio
23 continuing to exceed 1.0, and that the water utilities will continue to issue and sell stock at
24 prices exceeding book value to provide benefits to existing shareholders. If the authorized
25 ROEs for water utilities are established at the cost of equity capital, the market-to-book
26 ratio should decline to 1.0. If that occurs, the stock financing term would no longer be

1 necessary. If investors expect the average market-to-book ratio of the sample water
2 utilities to fall to 1.0 due to authorized ROEs equaling the cost of equity capital, then
3 Staff's inclusion of the *vs* term in its constant-growth DCF analysis might result in an over
4 estimate of its sustainable dividend growth rate and the resulting DCF ROE estimate.

5
6 **Q. What are Staff's historical and projected sustainable growth rates?**

7 A. Staff's estimated historical sustainable growth rate is 5.4 percent based on an analysis of
8 earnings retention for the sample water companies. Staff's projected sustainable growth
9 rate is 9.0 percent based on retention growth projected by *Value Line*. Schedule PMC-6
10 presents Staff's estimates of the sustainable growth rate.

11
12 **Q. What is Staff's expected infinite annual growth rate in dividends?**

13 A. Staff averaged historical and projected DPS, EPS, and sustainable growth estimates to
14 calculate the expected infinite annual growth rate in dividends. Schedule PMC-8 presents
15 the calculation of the expected infinite annual growth rate in dividends. Staff's estimate is
16 5.6 percent.

17
18 **Q. What is Staff's constant-growth DCF estimate?**

19 A. Staff's constant-growth DCF estimate is 8.8 percent, which is shown in Schedule PMC-3.

20
21 *The Multi-Stage DCF*

22 **Q. Why did Staff implement the multi-stage DCF to estimate Chaparral City's cost of**
23 **equity?**

24 A. As previously stated, Staff used the multi-stage DCF to consider the assumption that
25 dividends may not grow at a constant rate. Staff's multi-stage DCF incorporates two
26 growth rates: a near-term growth rate and a long-term growth rate.

1 **Q. What is the mathematical formula for the multi-stage DCF?**

2 **A.** The multi-stage DCF formula is shown in the following equation:

Equation 7 :

$$P_0 = \sum_{t=1}^n \frac{D_t}{(1+K)^t} + \frac{D_n(1+g_n)}{K-g_n} \left[\frac{1}{(1+K)} \right]^n$$

Where : P_0 = current stock price
 D_t = dividends expected during stage 1
 K = cost of equity
 n = years of non-constant growth
 D_n = dividend expected in year n
 g_n = constant rate of growth expected after year n

3

4

5

6

7

8

Q. What steps did Staff take to implement its multi-stage DCF cost of equity model?

9

A. First, Staff projected a stream of dividends for each of the sample water utilities using near-term and long-term growth rates. Second, Staff calculated the rate (cost of equity) which equates the present value of the forecasted stream of dividends to the current stock price for each of the sample water utilities. Then, Staff calculated an average of the individual sample company cost of equity estimates.

14

15 **Q. How did Staff calculate near-term (stage-1) growth?**

16

A. Staff projected four years of dividends for each of the sample water utilities. Projections for the first twelve months, to the extent available, were from *Value Line*. The dividend

17

1 projections for the remainder of stage 1 reflect the average dividend growth rate calculated
2 in Staff's constant growth DCF analysis, or 5.6 percent, as shown in Schedule PMC-8.
3

4 **Q. How did Staff estimate long-term (stage-2) growth?**

5 A. Staff used the arithmetic average rate of growth in gross domestic product ("GDP") from
6 1929 to 2007⁹. Using the GDP growth rate assumes that the water utility industry is
7 expected to grow at the same rate as the overall economy.
8

9 **Q. What is the historical GDP growth rate that Staff used to estimate stage-2 growth?**

10 A. Staff used 6.7 percent to estimate the stage-2 growth rate.
11

12 **Q. What is Staff's multi-stage DCF estimate?**

13 A. Staff's multi-stage DCF estimate is 9.8 percent as shown in Schedule PMC-9.
14

15 **Q. What is Staff's overall DCF estimate?**

16 A. Staff's overall DCF estimate is 9.3 percent. Staff calculated the overall DCF estimate by
17 averaging the constant growth DCF (8.8 percent) and multi-stage DCF (9.8 percent)
18 estimates as shown in Schedule PMC-3.
19

20 **Capital Asset Pricing Model**

21 **Q. Please describe the Capital Asset Pricing Model.**

22 A. The CAPM is concerned with the determination of the prices of capital assets in a
23 competitive market. The CAPM model describes the relationship between a security's
24 investment risk and its market rate of return. This relationship identifies the expected rate
25 of return which investors expect a security to earn so that its market return is comparable

⁹ www.bea.doc.gov

1 with the market returns earned by other securities of similar risk.¹⁰ The CAPM model
2 assumes that investors require a return that is commensurate with the level of risk
3 associated with a particular security. The model also assumes that investors will
4 sufficiently diversify their investments to eliminate any non-systematic or unique risk.¹¹
5 In 1990, Professors Harry Markowitz, William Sharpe, and Merton Miller earned the
6 Nobel Prize in Economic Sciences for their contribution to the development of the CAPM.

7
8 **Q. What sample did Staff use to compute the CAPM to estimate Chaparral City's cost**
9 **of equity?**

10 A. Staff used the same sample water utilities for its CAPM computation that it used for its
11 DCF analysis.

12
13 **Q. What is the mathematical formula for the CAPM?**

14 A. The mathematical formula for the CAPM is:
15

Equation 8:

$$K = R_f + \beta (R_m - R_f)$$

where: R_f = risk free rate
 R_m = return on market
 β = beta
 $R_m - R_f$ = market risk premium
 K = expected return

16

¹⁰ David C. Purcell; Cost of Capital – A Practitioner's Guide Pg. 6-1.

¹¹ The CAPM makes the following assumptions: 1. single holding period 2. perfect and competitive securities market
3. no transaction costs 4. no restrictions on short selling or borrowing 5. the existence of a risk-free rate 6.
homogeneous expectations.

1 The equation shows that the expected return (K) on a risky asset is equal to the risk-free
2 interest rate ("R_f") plus the product of the market risk premium ("R_p") (R_m - R_f)
3 multiplied by beta (β) where beta represents the riskiness of the investment relative to the
4 market.

5
6 **Q. What did Staff use as an estimate for the risk-free rate of interest in its historical**
7 **market risk premium CAPM method?**

8 A. Staff calculated an estimate of the risk-free rate of interest by averaging three (five-,
9 seven- and ten-year) intermediate-term U.S. Treasury securities' spot rates on August 6,
10 2008, to correspond with the date Staff selected the sample companies' stock spot market
11 prices. Staff's estimated risk-free rate for use in its historical market risk premium CAPM
12 method is 3.7 percent¹² as shown in Schedule PMC-3.

13
14 **Q. What did Staff use as an estimate for the risk-free rate of interest in its current**
15 **market risk premium CAPM method?**

16 A. Staff used the August 6, 2008, spot rate on 30-year U.S. Treasury notes as presented in the
17 U.S. Treasury Department website.

18
19 **Q. Why do U.S. Treasury security spot rates provide an appropriate representation of**
20 **the risk-free rate?**

21 A. U.S. Treasury spot rates represent a good estimate of a risk free rate because they have
22 virtually no chance of default and are backed by the U.S. Government. Besides, they are
23 verifiable, objective and readily available.

¹² Average yield on 5-, 7-, and 10-year Treasury notes according to the U.S. Treasury Department website at www.ustreas.gov: 3.30%, 3.62% and 4.06%, respectively.

1 **Q. What does beta measure?**

2 A. Beta measures the systematic risk of a particular entity's stock relative to the market's
3 beta which is 1.0. Systematic risk is the only risk that cannot be diversified away;
4 therefore, it is the only risk that is relevant when estimating an entity's required return.
5 Since the market's beta is 1.0, a security with a beta higher than 1.0 is riskier than the
6 market and a security with a beta lower than 1.0 is less risky than the market.

7
8 **Q. How did Staff estimate a proxy for Chaparral City's beta?**

9 A. Staff averaged the *Value Line* betas of the sample water utilities and used this average as a
10 proxy for Chaparral City's beta. Schedule PMC-7 shows the *Value Line* betas for each of
11 the sample water utilities. Staff's estimated beta for Chaparral City is 1.01.

12
13 **Q. What is a descriptive explanation for the expected market risk premium ($R_m - R_f$)?**

14 A. Descriptively, the expected market risk premium is the expected return on all common
15 stocks minus the risk free rate. It is the additional amount of return over the risk-free rate
16 that investors expect to receive from investing in the market (or an average-risk security).
17 Staff used two approaches to calculate the market risk premium: the historical market risk
18 premium approach and the current market risk premium approach.

19
20 **Q. What is the historical market risk premium estimate approach used by Staff?**

21 A. The historical market risk premium estimate approach assumes that if the long-run
22 average market risk premium is used consistently to estimate the expected market risk
23 premium, it should, on average, yield the correct premium. In this approach, Staff
24 assumed that the average historical market risk premium estimate is a reasonable estimate
25 of the expected market risk premium.

1 **Q. How did Staff calculate the historical market risk premium?**

2 A. Staff calculated the historical market risk premium by averaging the historical arithmetic
3 differences between the S&P 500 and the intermediate-term government bond income
4 returns published in Morningstar's¹³ *Ibbotson Stocks, Bonds, Bills, and Inflation 2008*
5 *Classic Yearbook* for the period 1926-2007. Morningstar calculated the historical risk
6 premium by averaging the historical arithmetic differences between the S&P 500 and the
7 intermediate-term government bond income returns. Staff's historical market risk
8 premium estimate is 7.5 percent as shown in Schedule PMC-3.

9
10 **Q. How did Staff calculate the current market risk premium estimate?**

11 A. Staff first derived a DCF ROE of 17.3 (2.3 + 15.02¹⁴) percent using the expected dividend
12 yield (2.3 percent over the next twelve months) and the annual per share growth rate
13 (15.02 percent) that *Value Line* projects for all dividend-paying stocks under its review
14 (August 15, 2008) as inputs. Then, Staff used the DCF-derived ROE (17.3 percent), the
15 current long-term risk-free rate (4.7 percent 30-year Treasury note) and the market's
16 average beta of 1.0 as inputs into equation 8 to solve for the implied current market risk
17 premium of 12.6 percent.¹⁵

18
19 **Q. What is the range of Staff's expected market risk premium estimates?**

20 A. Staff's market risk premium estimates range from 7.5 percent to 12.6 percent.

¹³ Formerly published by Ibbotson Associates.

¹⁴ The three to five year price appreciation is 75%. $1.75^{0.25} - 1 = 15.02\%$

¹⁵ $17.32\% = 4.68 + (1) (12.64)$

1 **Q. What is Staff's overall CAPM estimate?**

2 A. Staff's overall CAPM estimate is 14.3 percent. Staff's overall CAPM estimate is the
3 average of the historical market risk premium CAPM (11.2 percent) and the current
4 market risk premium CAPM (17.4 percent) estimates as shown in Schedule PMC-3.
5

6 **VI. SUMMARY OF STAFF'S COST OF EQUITY ANALYSIS**

7 **Q. What is the result of Staff's constant-growth DCF analysis to estimate of the cost of**
8 **equity to the sample water utilities?**

9 A. Schedule PMC-3 shows the result of Staff's constant-growth DCF analysis. The result of
10 Staff's constant-growth DCF analysis is as follows:

11 $k = \text{Dividend yield} + \text{Expected dividend growth}$

12 $k = 3.2\% + 5.6\%$

13
14 $k = 8.8\%$

15
16 Staff's constant-growth DCF estimate of the cost of equity to the sample water utilities is
17 8.8 percent.

1 **Q. What is the result of Staff's multi-stage DCF analysis to estimate the cost of equity**
2 **for the sample utilities?**

3 A. Schedule PMC-9 shows the result of Staff's multi-stage DCF analysis. The result of
4 Staff's multi-stage DCF analysis is:

Company	Equity Cost Estimate (k)
American States Water	9.4%
California Water	9.8%
Aqua America	9.8%
Connecticut Water	10.2%
Middlesex Water	10.7%
SJW Corp	<u>9.2%</u>
Average	9.8%

16
17 Staff's multi-stage DCF estimate of the cost of equity for the sample water utilities is 9.8
18 percent.

19
20 **Q. What is Staff's overall DCF estimate of the cost of equity for the sample utilities?**

21 A. Staff's overall DCF estimate of the cost of equity for the sample utilities is 9.3 percent.
22 Staff's overall DCF estimate was calculated by averaging Staff's constant growth DCF
23 (8.8 percent) and Staff's multi-stage DCF (9.8 percent) estimates as shown in Schedule
24 PMC-3.

1 **Q. What is the result of Staff's historical market risk premium CAPM analysis to**
2 **estimate of the cost of equity for the sample utilities?**

3 A. Schedule PMC-3 shows the result of Staff's CAPM analysis using the historical risk
4 premium estimate. The result is as follows:
5

$$K = R_f + \beta (R_m - R_f)$$

$$K = 3.7\% + 1.01 * 7.5\%$$

$$K = 11.2\%$$

6
7
8
9
10 Staff's CAPM estimate (using the historical market risk premium) of the cost of equity to
11 the sample water utilities is 11.2 percent.
12

13 **Q. What is the result of Staff's current market risk premium CAPM analysis to**
14 **estimate the cost of equity for the sample utilities?**

15 A. Schedule PMC-3 shows the result of Staff's CAPM Analysis using the current market risk
16 premium estimate. The result is:
17

$$K = R_f + \beta (R_m - R_f)$$

$$K = 4.7\% + 1.01 * 12.6\%$$

$$K = 17.4\%$$

18
19
20
21
22 Staff's CAPM estimate (using the current market risk premium) of the cost of equity to the
23 sample water utilities is 17.4 percent.
24

1 **Q. What is Staff's overall CAPM estimate of the cost of equity for the sample utilities?**

2 A. Staff's overall CAPM estimate for the sample utilities is 14.3 percent. Staff's overall
3 CAPM estimate is the average of the historical market risk premium CAPM (11.2 percent)
4 and the current market risk premium CAPM (17.4 percent) estimates as shown in
5 Schedule PMC-3.

6
7 **Q. Please summarize the results of Staff's cost of equity analysis for the sample utilities.**

8 A. The following table shows the results of Staff's cost of equity analysis:

9
10 **Table 4**

Method	Estimate
Average DCF Estimate	9.3%
Average CAPM Estimate	14.3%
Overall Average	11.8%

11
12 Staff's average estimate of the cost of equity to the sample water utilities is 11.8 percent.

13
14 **VII. FINAL COST OF EQUITY ESTIMATES**

15 **Q. Has Staff quantified the effect of the difference in financial risk between Chaparral**
16 **City and the sample water utilities on its cost of equity?**

17 A. Yes. Staff used the methodology developed by Professor Robert Hamada of the
18 University of Chicago, which incorporates capital structure theory with the CAPM, to
19 estimate the effect of Chaparral City's capital structure on its cost of equity. Staff
20 calculated a financial risk adjustment for Chaparral City of negative 180 basis points.
21 Staff estimated a 10.0 percent cost of equity for Chaparral City by addition of the financial
22 risk adjustment to Staff's average estimate of the cost of equity to the sample water
23 utilities.

1 The calculation is as follows:

2 Equation 9:

3 Adjusted ROE = Overall average estimated ROE + Financial risk adjustment

4 Adjusted ROE for Chaparral City = 11.8% + (- 1.8%)

5 Adjusted ROE for Chaparral City = 10.0%

6
7
8 **Q. What is Staff's ROE estimate for Chaparral City?**

9 A. Staff determined a ROE estimate of 10.0 percent for the Applicant based on cost of equity
10 estimates for the sample companies ranging from 9.3 percent for the DCF to 14.3 percent
11 for the CAPM and a 180 basis point downward adjustment for the relatively smaller
12 financial risk in Chaparral City's capital structure compared to the sample companies.

13
14 **VIII. FINAL WEIGHTED AVERAGE COST OF CAPITAL**

15 **Q. What weighted average cost of capital did Staff determine for Chaparral City?**

16 A. Staff determined a 8.8 percent WACC for the Applicant as shown in Schedule PMC-1 and
17 Table 5 below:

18
19 **Table 5**

	Weight	Cost	Weighted Cost
Long-term Debt	24.4%	5.0%	1.2%
Common Equity	75.6%	10.0%	<u>7.6%</u>
Weighted Average Cost of Capital			<u>8.8%</u>

1 **IX. FAIR VALUE RATE OF RETURN ("FVROR") RECOMMENDATION**

2 **Q. What FVROR does the Company propose in this proceeding?**

3 A. The Company proposes a 9.32 percent FVROR, which equates its proposed WACC. The
4 Company continues to propose that the WACC be multiplied by the FVRB in order to
5 calculate its operating margin.

6
7 **Q. What fair value rate of return does Staff recommend for Chaparral City?**

8 A. Staff recommends a 7.6 percent FVROR for the Applicant as shown in Schedule PMC-2.

9
10 **Q. How did Staff calculate the FVROR?**

11 A. Staff's method for calculating the FVROR is discussed in the Direct Testimony of Mr.
12 Gordon L. Fox. In short, the FVROR is equal to the WACC less an Inflation
13 Adjustment/Accretion Return, as discussed below.

14
15 **Q. How did Staff calculate the Inflation Adjustment/Accretion Return?**

16 A. Staff first calculated the difference between the treasury yields for 20-year securities, and
17 the treasury real yields for 20-year securities, to estimate the additional return required by
18 investors due to inflation for a long-term (20-year) horizon (Inflation
19 Adjustment/Accretion Return).¹⁶ Then, Staff multiplied the Accretion return by a 50
20 percent factor.¹⁷ Finally, Staff calculated the FVROR by subtracting the modified
21 Inflation Adjustment/Accretion Factor from the WACC.

22
¹⁶ As of August 8, 2008, 20-year Treasury yield (4.71%) minus 20-year Treasury real yield (2.25%) equals the return required due to inflation (2.46%) according to the U.S. Treasury Department website at www.ustreas.gov.

¹⁷ See further, Direct Testimony of Mr. Gordon L. Fox.

1 **Q. Why did Staff use U.S. Treasury securities' spot rates rather than a historical**
2 **average and/or forecasted rates to estimate the Inflation Adjustment/Accretion**
3 **Return?**

4 A. Staff used U.S. Treasury securities' spot rates on August 6, 2008, to correspond with the
5 date Staff selected the sample companies' stock spot market prices. Use of the current
6 bond yield is consistent with finance theory, i.e., the efficient market hypothesis. Further,
7 as explained in Section X of this testimony, the best estimate of tomorrow's yield is
8 simply today's yield.

9
10 **Q. If Staff had adjusted only the cost of equity for inflation, as implemented in Decision**
11 **No. 70441, what would have been the resulting FVROR?**

12 A. In that instance, the resulting FVROR would be 6.9 percent as illustrated in Table 7,
13 below.

14
15 Table 7

Description	Weight (%)	Cost	Weighted Cost
Debt	24.4%	5.0%	1.2%
Common Equity	75.6%	7.5% ¹⁸	5.7%
FVROR			6.9%

16
17 **X. STAFF RESPONSE TO THE APPLICANT'S COST OF CAPITAL WITNESS**

18 **Q. Please summarize Bourassa's analyses and recommendations.**

19 A. Mr. Bourassa proposes a 9.32 percent WACC/FVROR based on a capital structure
20 consisting of 23.44 percent debt (at 5.5 percent) and 76.56 percent common equity (at 10.5
21 percent.

22
¹⁸ Cost of Equity (10%) minus inflation adjustment (2.5%).

1 Mr. Bourassa's proposed 10.5 percent ROE is based on analyses for single and multi-stage
2 DCF models, as well as historical and current market risk premium CAPM for the same
3 sample of water companies selected by Staff.

4
5 Mr. Bourassa's ROE results are summarized below:

	<u>Range</u>	<u>Midpoint</u>
6 DCF Constant Growth	8.1% - 13.6%	10.9%
7 Multi-Stage Growth Model	9.3% - 12.4%	10.9%
8 CAPM	11.4% - 11.5%	11.5%

9
10
11 **Q. Does Staff have any comments on Mr. Bourassa's proposed capital structure?**

12 A. Yes. Mr. Bourassa's capital structure is out of date. Staff used in its analysis Chaparral's
13 capital structure as of June 31, 2008. Using an updated capital structure provides a more
14 accurate measurement of the Company's capitalization and cost of debt.

15
16 **Q. Does Staff have any comments on Mr. Bourassa's constant growth DCF estimates?**

17 A. Yes. Mr. Bourassa relies solely on analysts' forecasts to estimate growth in his constant
18 growth DCF estimates. Analysts' forecasts are known to be overly optimistic. Sole use of
19 analysts' forecasts to calculate the growth in dividends ("g") causes inflated growth, and
20 consequently, inflated cost of equity estimates. Furthermore, sole reliance on analysts'
21 forecasts of earnings growth to forecast DPS is inappropriate because it assumes that
22 investors do not look at other relevant information such as past dividend and earnings
23 growth. In addition, the Commission has previously recognized that analysts' forecasts
24 are overstated.¹⁹

25

¹⁹ Decision No. 66849, Page 22.

1 **Q. How does Staff respond to Mr. Bourassa's statement, "To the extent that past results**
2 **provide useful indications of future growth prospects, analysts' forecasts would**
3 **already incorporate that information."?**²⁰

4 **A.** The appropriate growth rate to use in the DCF formula is the dividend growth rate
5 expected by investors, not analysts. Therefore, while analysts may have considered
6 historical measures of growth, it is reasonable to assume that investors also rely on past
7 growth. This calls for consideration of both analysts' forecasts as well as past growth.

8
9 **Q. Does Staff have any comments on the study cited by Mr. Bourassa, conducted by**
10 **David A. Gordon, Myron J. Gordon and Lawrence I. Gould**²¹ **that Mr. Bourassa**
11 **asserts support exclusive use of analysts' forecasts in the DCF model?**

12 **A.** Yes. The article cited by Mr. Bourassa does not conclude that investors ignore past
13 growth when pricing stocks; therefore, it does not support the sole use of analysts' forecast
14 in the DCF model.

15
16 **Q. Does Professor Gordon recommend relying exclusively on analysts' forecasts as the**
17 **measure of growth in the DCF model?**

18 **A.** No. Subsequent to the study cited by Mr. Bourassa, Professor Gordon provided the
19 keynote address at the 30th Financial Forum of the Society of Utility and Regulatory
20 Financial Analysts, in which he stated:

21 "I understand that companies coming before regulatory agencies
22 liked and advocated the high growth rates in security analyst
23 forecasts for arriving at their cost of equity capital. Instead of
24 rejecting these forecasts, I understand that FERC and other
25 regulatory agencies have decided to compromise with them. In
26 particular, in arriving at the cost of equity for company X, the
27 FERC has decided to arrive at the growth rate in my dividend

²⁰ Bourassa's Direct Testimony, Page 30, lines 6 - 8.

²¹ Gordon, David A., Myron J. Gordon, Lawrence I. Gould. "Choice Among Methods of Estimating Share Yield." *The Journal of Portfolio Management*. Spring 1989. pp. 50-55. (Mr. Bourassa's Direct Testimony, page 30.)

1 growth model by using an average of two growth rates. One is
2 security analysts forecast of the short-term growth rate in earnings
3 provided by IBES or Value Line and the other a more long run and
4 typically lower figure such as the past growth in GNP.

5 Such an average can be questioned on various grounds. However,
6 my judgment is that between the short-term forecast alone and its
7 average with the past growth rate in GNP, *the latter may be a more*
8 *reasonable figure.*²² (Emphasis added)

9 Simply stated, Professor Gordon would temper the typically higher
10 analysts' forecasts with the typically lower GNP growth rate by averaging
11 the two.

12
13 **Q. Can Staff provide further evidence to support its assertion that exclusive reliance on**
14 **analysts' forecasts of earnings growth in the DCF model would result in inflated cost**
15 **of equity estimates?**

16 **A.** Yes. Experts in the financial community have commented on the optimism in analysts'
17 forecasts of future earnings.²³ A study cited by David Dreman in his book *Contrarian*
18 *Investment Strategies: The Next Generation* found that *Value Line* analysts were
19 optimistic in their forecasts by 9 percent annually, on average for the 1987 – 1989 period.
20 Another study conducted by David Dreman found that between 1982 and 1997, analysts
21 overestimated the growth of earnings of companies in the S&P 500 by 188 percent.

22 In addition, Burton Malkiel of Princeton University studied the one-year and five-year
23 earnings forecasts made by some of the most respected names in the investment business.

24 His results showed that the five-year estimates of professional analysts, when compared

²² Gordon, M. J. Keynote Address at the 30th Financial Forum of the Society of Utility and Regulatory Financial Analysts. May 8, 1998. Transparency 3.

²³ See Siegel, Jeremy J. *Stocks for the Long Run*. 2002. McGraw-Hill. New York. p. 100. Dreman, David. *Contrarian Investment Strategies: The Next Generation*. 1998. Simon & Schuster. New York. pp. 97-98. Malkiel, Burton G. *A Random Walk Down Wall Street*. 2003. W.W. Norton & Co. New York. p. 175.

1 with actual earnings growth rates, were much worse than the predictions from several
2 naïve forecasting models, such as the long-run rate of growth of national income. In the
3 following excerpt from Professor Malkiel's book *A Random Walk Down Wall Street*, he
4 discusses the results of his study:

5 When confronted with the poor record of their five-year growth
6 estimates, *the security analysts honestly, if sheepishly, admitted*
7 *that five years ahead is really too far in advance to make reliable*
8 *projections.* They protested that although long-term projections
9 are admittedly important, they really ought to be judged on their
10 ability to project earnings changes one year ahead. Believe it or
11 not, it turned out that their one-year forecasts were even worse than
12 their five-year projections.

13 The analysts fought back gamely. They complained that it was
14 unfair to judge their performance on a wide cross section of
15 industries, because earnings for high-tech firms and various
16 "cyclical" companies are notoriously hard to forecast. "*Try us on*
17 *utilities,*" *one analyst confidently asserted. At the time they were*
18 *considered among the most stable group of companies because of*
19 *government regulation. So we tried it and they didn't like it. Even*
20 *the forecasts for the stable utilities were far off the mark.*²⁴
21 (Emphasis added)

²⁴ Malkiel, Burton G. *A Random Walk Down Wall Street*. 2003. W.W. Norton & Co. New York. p. 175

1 **Q. Does Staff have any concerns regarding Mr. Bourassa's omission of historical and**
2 **forecasted DPS in his DCF constant growth estimates?**

3 A. Yes. The omission of DPS growth in a DCF analysis implies that investors do not take
4 into account dividend growth when pricing stocks. As previously mentioned on Section V
5 of this testimony, the current market price of a stock is equal to the present value of all
6 expected future dividends, not future earnings. Professor Jeremy Siegel from the Wharton
7 School of Finance stated:

8
9 Note that the price of the stock is always equal to the present value
10 of all future *dividends* and not the present value of future earnings.
11 Earnings not paid to investors can have value only if they are paid
12 as dividends or other cash disbursements at a later date. Valuing
13 stock as the present discounted value of future earnings is
14 manifestly wrong and greatly overstates the value of the firm.²⁵
15

16 In other words, investors pay attention to earnings as long as they are paid as dividends.
17 Earnings can easily be overstated, but if investors do not receive dividends or other cash
18 disbursement at a later date, then such earnings are meaningless.

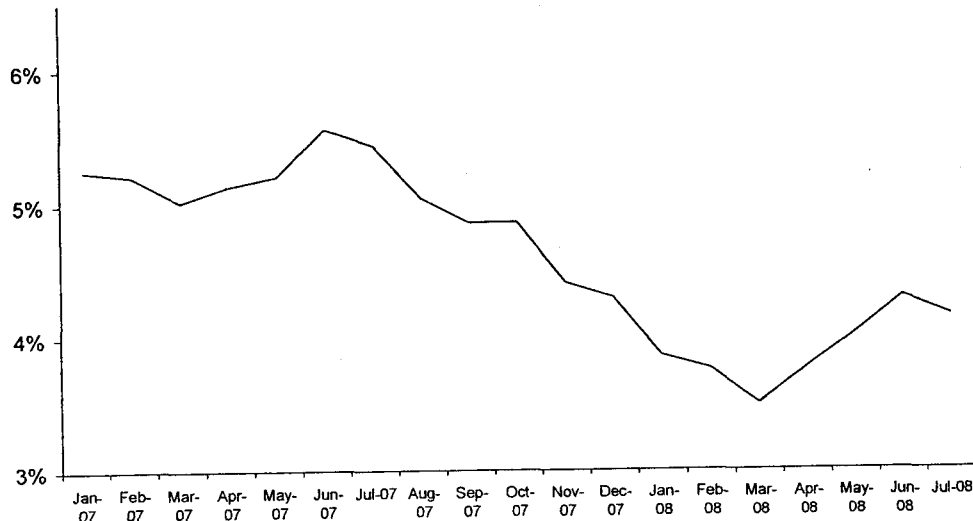
19
20 **Q. Does Staff have any comments on Mr. Bourassa's statement: "More recent data**
21 **suggest the 10-year Treasury Bond and 30 year Treasury bond yields are on the rise?**
22 **On June 13, 2007, for example, the 10-year Treasury bond and 30 year Treasury**
23 **bond yields were 5.20 percent and 5.28 percent, respectively."**²⁶

24 A. Yes. Mr. Bourassa's correctly points out that there *was* an upward trend in bond yields
25 until mid-2007. However, Mr. Bourassa erroneously assumes that such upward trend will
26 continue. As evident in Chart 3 (below) the average yield on 10-year and 30-year
27 treasuries has decreased since then.

²⁵ Siegel, Jeremy J. Stocks for the Long Run. 2002. McGraw-Hill. New York. P. 93.

²⁶ Mr. Bourassa's Direct Testimony, page 9, lines 14 - 17.

Chart 3: Average Yield on 10 & 30-Year Treasuries



It is important to consider that analysts who forecast future rates do not have any more information about the future than what is already reflected in the current rate.

According to Nancy L. Jacob of the University of Washington and R. Richardson Pettit of the University of Houston:

While we know something about many of the factors that determine interest rates (money supply, the demand for loanable funds, etc.) little evidence exists to suggest these factors can be predicted with enough accuracy to successfully predict the rates.²⁷

As previously stated, the best forecast of tomorrow's yield is simply today's yield.

"Professional forecasts of financial variables are notoriously unreliable and appear to be

²⁷ Jacob, Nancy L., R. Richardson Pettit. *Investments*. Irwin. Homewood, Ill. 1988. p. 499.

1 getting worse, not better, over time." "The direction of interest rates [bond yields] cannot
2 be predicted any better than by the flip of a coin."²⁸
3

4 **Q. What comment does Staff have in response to the Company's assertion that Staff's**
5 **current market risk premium is extremely volatile?**

6 A. Changes in Staffs current market risk premium results over time are a reflection of
7 changes in the market's current risk premium rather than instability in Staff's method.
8

9 **Q. Should DPS growth be considered in a DCF analysis?**

10 A. Yes. The omission of historical DPS growth in a DCF analysis implies that investors do
11 not take into account dividend growth when pricing stocks. The current market price of a
12 stock is equal to the present value of all expected future dividends, not future earnings.
13

14 **XI. CONCLUSION**

15 **Q. Please summarize Staff's recommendations.**

16 A. Staff recommends that the Commission adopt an 8.8 percent WACC for Chaparral City in
17 this proceeding based on capital structure composed of 24.4 percent debt (at 5.0 percent)
18 and 75.6 percent equity (at 10.0 percent).
19

20 Staff further recommends that the Commission adopt a 7.6 percent FVROR for the
21 Applicant, reflecting a 1.2 percent inflation deduction (Accretion Return) from the WACC
22 as shown in Schedule PMC-2.
23

24 **Q. Does this conclude your direct testimony?**

25 A. Yes, it does.

²⁸ Kihm, Steven G. "The Superiority of Spot Yields in Estimating Cost of Capital." *Public Utilities Fortnightly*.
February 1, 1996. pp. 42-45.

Chaparral City Water Company, Inc.
Capital Structure
And Weighted Average Cost of Capital
Staff Recommended and Company Proposed

[A]	[B]	[C]	[D]
<u>Description</u>	<u>Weight (%)</u>	<u>Cost</u>	<u>Weighted Cost</u>
Staff Recommended Structure			
Debt	24.4%	5.0%	1.2%
Common Equity	75.6%	10.0%	7.6%
Weighted Average Cost of Capital			8.8%
Company Proposed Structure			
Debt	23.4%	5.5%	1.3%
Common Equity	76.6%	10.5%	8.0%
Weighted Average Cost of Capital			9.3%

[D] : [B] x [C]

Supporting Schedules: PMC-3 and PMC-4.

Chaparral City Water Company, Inc.
Inflation Adjustment (Accretion Return) and
Resulting Fair Value Rate of Return

Description		
Weighted Average Cost of Capital	8.8%	¹
Minus: Modified Inflation Adjustment/Accretion Return	-1.2%	²
Fair Value Rate of Return	7.6%	

1: Schedule PMC-1

2: Calculation of Modified Inflation Adjustment/Accretion Return:

20-year Treasury Yield ³	4.7%
20-year Treasury Real Yield ³	2.3%
Return Required by Investors due to Inflation (Accretion Return)	2.5%
Times a 50% Factor	0.5
Modified Inflation Adjustment/Accretion Return	1.2%

3: <http://www.ustreas.gov> as of 8/6/08.

4: Direct Testimony of Mr. Gordon L. Fox.

Chaparral City Water Company, Inc.
Final Cost of Equity Estimates
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]
<u>DCF Method</u>				
Constant Growth DCF Estimate		D_1/P_n^1	+	k
Multi-Stage DCF Estimate		3.2%	+	8.8%
Average of DCF Estimates				9.8%
				9.3%
<u>CAPM Method</u>				
Historical Market Risk Premium ³	Rf	β^5	x	k
Current Market Risk Premium ⁴	3.7%	1.01	x	11.2%
Average of CAPM Estimates	4.7%	1.01	x	17.4%
				14.3%
			Average	11.8%
			Financial risk adjustment	-1.8%
			Total	10.0%

1 MSN Money and Value Line

2 Schedule PMC-8

3 Risk-free rate (Rf) for 5, 7, and 10 year Treasury rates from the U.S. Treasury Department at www.ustreas.gov4 Risk-free rate (Rf) for 30 Year Treasury bond rate from the U.S. Treasury Department at www.ustreas.gov

5 Value Line

6 Historical Market Risk Premium (Rp) from Ibbotson Associates SBBI 2008 Yearbook

7 Testimony

Chaparral City Water Company, Inc.
Average Capital Structure of Sample Water Utilities

[A]	[B]	[C]	[D]
<u>Company</u>	<u>Debt</u>	Common <u>Equity</u>	<u>Total</u>
American States Water	50.9%	49.1%	100.0%
California Water	43.8%	56.2%	100.0%
Aqua America	55.0%	45.0%	100.0%
Connecticut Water	50.5%	49.5%	100.0%
Middlesex Water	51.5%	48.5%	100.0%
SJW Corp	<u>47.6%</u>	<u>52.4%</u>	<u>100.0%</u>
Average Sample Water Utilities	49.9%	50.1%	100.0%
Chaparral City Water Company, Inc.	24.4%	75.6%	100.0%

Source:

Sample Water Companies from Value Line

Chaparral City Water Company, Inc.
Growth in Earnings and Dividends
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]
<u>Company</u>	Dividends Per Share 1997 to 2007 <u>DPS¹</u>	Dividends Per Share Projected <u>DPS¹</u>	Earnings Per Share 1997 to 2007 <u>EPS¹</u>	Earnings Per Share Projected <u>EPS¹</u>
American States Water	1.5%	4.6%	4.5%	4.8%
California Water	0.9%	0.8%	-2.0%	9.4%
Aqua America	7.2%	7.2%	7.6%	11.1%
Connecticut Water	1.2%	No Projection	0.5%	No Projection
Middlesex Water	1.9%	No Projection	2.6%	No Projection
SJW Corp	<u>4.8%</u>	<u>No Projection</u>	<u>2.7%</u>	<u>No Projection</u>
Average Sample Water Utilities	2.9%	4.2%	3.6% ²	8.4%

¹ Value Line

² Note that the figure -2.0% has been excluded from the calculation. This has been done as negative growth is inconsistent with the DCF model.

Chaparral City Water Company, Inc.
Sustainable Growth
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]
	Retention Growth 1998 to 2007 br	Retention Growth Projected br	Stock Financing Growth vs	Sustainable Growth 1998 to 2007 br + vs	Sustainable Growth Projected br + vs
<u>Company</u>					
American States Water	2.8%	5.7%	1.6%	4.5%	7.4%
California Water	1.8%	5.5%	4.5%	6.4%	10.0%
Aqua America	4.5%	5.3%	4.3%	8.8%	9.6%
Connecticut Water	2.6%	No Projection	1.2%	3.8%	No Projection
Middlesex Water	1.3%	No Projection	3.5%	4.7%	No Projection
SJW Corp	4.4%	No Projection	0.1%	4.5%	No Projection
Average Sample Water Utilities	2.9%	5.5%	2.5%	5.4%	9.0%

[B]: Value Line

[C]: Value Line

[D]: Value Line and MSN Money

[E]: [B]+[D]

[F]: [C]+[D]

Chaparral City Water Company, Inc.
Selected Financial Data of Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]	[G]
Company	Symbol	Spot Price 8/6/2008	Book Value	Mkt To Book	Value Line Beta	Raw Beta
American States Water	AWR	<u>37.70</u>	17.62	2.1	<u>1.05</u>	<u>1.04</u>
California Water	CWT	<u>38.16</u>	18.94	2.0	<u>1.15</u>	1.19
Aqua America	WTR	<u>16.48</u>	7.66	2.2	<u>0.95</u>	0.90
Connecticut Water	CTWS	<u>25.50</u>	12.40	2.1	<u>0.85</u>	0.75
Middlesex Water	MSEX	<u>17.88</u>	10.31	1.7	<u>0.90</u>	0.82
SJW Corp	SJW	<u>26.23</u>	13.35	2.0	<u>1.15</u>	<u>1.19</u>
Average				<u>2.0</u>	<u>1.01</u>	<u>0.98</u>

[C]: Man Money

[D]: Value Line

[E]: [C] / [D]

[F]: Value Line

[G]: $(-0.35 + [F]) / 0.67$

Chaparral City Water Company, Inc.
Calculation of Expected Infinite Annual Growth in Dividends
Sample Water Utilities

[A]	[B]
<u>Description</u>	g
DPS Growth - Historical ¹	2.9%
DPS Growth - Projected ¹	4.2%
EPS Growth - Historical ¹	3.6%
EPS Growth - Projected ¹	8.4%
Sustainable Growth - Historical ²	5.4%
<u>Sustainable Growth - Projected²</u>	<u>9.0%</u>
Average	5.6%

¹ Schedule PMC-5

² Schedule PMC-6

Chaparral City Water Company, Inc.
Multi-Stage DCF Estimates
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]	[H]	[I]
Company	Current Mkt. Price (P_0) ¹ 8/6/2008	Projected Dividends ² (Stage 1 growth) (D_t)				Stage 2 growth ³ (g_n)	Equity Cost Estimate (K) ⁴
American States Water	37.7	d_1	d_2	d_3	d_4	6.7%	9.4%
California Water	38.2	1.04	1.10	1.16	1.23	6.7%	9.8%
Aqua America	16.5	1.20	1.27	1.34	1.42	6.7%	9.8%
Connecticut Water	25.5	0.53	0.56	0.59	0.62	6.7%	10.2%
Middlesex Water	17.9	0.92	0.97	1.03	1.08	6.7%	10.7%
SJW Corp	26.2	0.73	0.77	0.81	0.86	6.7%	9.2%
		0.66	0.70	0.74	0.78	6.7%	9.2%

Average 9.8%

$$P_0 = \sum_{t=1}^n \frac{D_t}{(1+K)^t} + \frac{D_n(1+g_n)}{K - g_n} \left[\frac{1}{(1+K)} \right]^n$$

Where : P_0 = current stock price

D_t = dividends expected during stage 1

K = cost of equity

n = years of non - constant growth

D_n = dividend expected in year n

g_n = constant rate of growth expected after year n

¹ [B] see Schedule PMC-7

² Derived from Value Line Information

³ Average annual growth in GDP 1929 - 2005 in current dollars.

⁴ Internal Rate of Return of Projected Dividends

Chaparral City Water Company, Inc. Capitalization					
	<u>Interest Rate</u>	<u>Annual Interest</u>	<u>Amount outstanding as of 6/30/2008</u>	<u>Percentage of Capital Structure</u>	
Long-Term Debt					
Bonds due 2011	5.2%	\$ 52,000	\$ 1,000,000		
Bonds due 2022	5.4%	\$ 248,940	4,610,000		
Bonds due 2022	5.3%	\$ 51,675	975,000		
Long-Term Debt	5.4%	352,615	\$ 6,585,000	18.6%	
Short-Term Debt	3.8%	78,857	2,050,000		
Short-Term Debt	3.8%	78,857	\$ 2,050,000	5.8%	
Total Debt	5.0%	\$ 431,472	\$ 8,635,000.00	24.4%	
Common Equity					
Common Shares Outstanding			4,603,000		
Paid in Capital			14,950,000		
Retained Earnings			7,137,000		
Total Common Equity			\$ 26,690,000	75.6%	
Total Capitalization			\$ 35,325,000	100.0%	

Federal Reserve Statistical Release



H.15

Selected Interest Rates (Daily)*Release Date: January 7, 2009*[Weekly release dates](#) | [Historical data](#) | [Data Download Program \(DDP\)](#) | [About](#) | [Announcements](#)Daily update *Other formats:* [Screen reader](#) | [ASCII](#)

The weekly release is posted on Monday. Daily updates of the weekly release are posted through Friday on this site. If Monday is a holiday, the weekly release will be posted after the holiday and the daily update will not be posted on that Tuesday.

FEDERAL RESERVE STATISTICAL RELEASE

H.15 DAILY UPDATE: WEB RELEASE ONLY

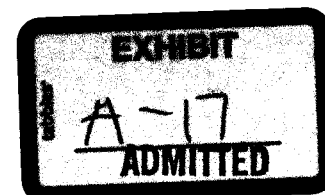
SELECTED INTEREST RATES

For use at 4:15 p.m. Eastern Time

Yields in percent per annum

January 7, 2009

Instruments	2009 Jan 5	2009 Jan 6
Federal funds (effective) 1 2 3	0.11	0.09
Commercial Paper 3 4 5 6		
Nonfinancial		
1-month	0.05	0.08
2-month	0.15	0.18
3-month	0.20	0.22
Financial		
1-month	0.26	0.30
2-month	0.28	0.45
3-month	n.a.	n.a.
3-month nonfinancial or financial posted by CPFF 7		
Without surcharge	1.18	1.18
With surcharge	2.18	2.18
CDs (secondary market) 3 8		
1-month	0.47	0.33
3-month	1.15	1.27
6-month	1.45	1.73
Eurodollar deposits (London) 3 9		
1-month	0.90	1.00
3-month	1.75	1.75
6-month	2.50	2.50
Bank prime loan 2 3 10	3.25	3.25
Discount window primary credit 2 11	0.50	0.50
U.S. government securities		
Treasury bills (secondary market) 3 4		
4-week	0.04	0.05
3-month	0.14	0.14
6-month	0.32	0.31
1-year	0.41	0.42



Treasury constant maturities		
Nominal 12		
1-month	0.05	0.05
3-month	0.14	0.14
6-month	0.32	0.31
1-year	0.43	0.45
2-year	0.78	0.80
3-year	1.08	1.10
5-year	1.67	1.68
7-year	2.07	2.07
10-year	2.49	2.51
20-year	3.37	3.41
30-year	3.00	3.04
Inflation indexed 13		
5-year	1.86	1.82
7-year	2.08	2.00
10-year	2.34	2.09
20-year	2.64	2.65
Inflation-indexed long-term average 14	2.71	2.70
Interest rate swaps 15		
1-year	1.31	1.29
2-year	1.60	1.55
3-year	1.91	1.89
4-year	2.15	2.16
5-year	2.31	2.34
7-year	2.58	2.62
10-year	2.82	2.88
30-year	3.03	3.18
Corporate bonds		
Moody's seasoned		
Aaa 16	5.05	5.05
Baa	8.31	8.28
State & local bonds 17		
Conventional mortgages 18		

n.a. Not available.

Footnotes

1. The daily effective federal funds rate is a weighted average of rates on broke
2. Weekly figures are averages of 7 calendar days ending on Wednesday of the curr figures include each calendar day in the month.
3. Annualized using a 360-day year or bank interest.
4. On a discount basis.
5. Interest rates interpolated from data on certain commercial paper trades settl Depository Trust Company. The trades represent sales of commercial paper by deale issuers to investors (that is, the offer side). The 1-, 2-, and 3-month rates are 30-, 60-, and 90-day dates reported on the Board's Commercial Paper Web page (www.federalreserve.gov/releases/cp/).
6. Financial paper that is insured by the FDIC's Temporary Liquidity Guarantee Pr excluded from relevant indexes, nor is any financial or nonfinancial commercial p directly or indirectly affected by one or more of the Federal Reserve's liquidity the rates published after September 19, 2008, likely reflect the direct or indire

new temporary programs and, accordingly, likely are not comparable for some purposes published prior to that period.

7. CPFF refers to the Federal Reserve's Commercial Paper Funding Facility. The rate under the CPFF for financial and nonfinancial commercial paper. An issuer of commercial paper under the CPFF may avoid the surcharge by providing a collateral arrangement or indorsement acceptable to the Federal Reserve Bank of New York. Source: Federal Reserve Bank of New York.

8. An average of dealer bid rates on nationally traded certificates of deposit.

9. Bid rates for Eurodollar deposits collected around 9:30 a.m. Eastern time.

10. Rate posted by a majority of top 25 (by assets in domestic offices) insured U.S. commercial banks. Prime is one of several base rates used by banks to price short-term loans.

11. The rate charged for discounts made and advances extended under the Federal Reserve credit discount window program, which became effective January 9, 2003. This rate adjustment credit, which was discontinued after January 8, 2003. For further information, see www.federalreserve.gov/boarddocs/press/bcreg/2002/200210312/default.htm. The rate for the Federal Reserve Bank of New York. Historical series for the rate on adjustments as well as the rate on primary credit are available at www.federalreserve.gov/releases.

12. Yields on actively traded non-inflation-indexed issues adjusted to constant maturity series was discontinued on February 18, 2002, and on February 9, 2006. From February 18, 2002, to February 9, 2006, the U.S. Treasury factor for adjusting the daily nominal 20-year constant maturity in order to estimate nominal rate. The historical adjustment factor can be found at www.treas.gov/offices/domestic-finance/debt-management/interest-rate/ltcomposite. Source: U.S. Treasury.

13. Yields on Treasury inflation protected securities (TIPS) adjusted to constant maturity. Source: U.S. Treasury. Additional information on both nominal and inflation-indexed rates found at www.treas.gov/offices/domestic-finance/debt-management/interest-rate/ind.

14. Based on the unweighted average bid yields for all TIPS with remaining terms more than 10 years.

15. International Swaps and Derivatives Association (ISDA(R)) mid-market par swap for a Fixed Rate Payer in return for receiving three month LIBOR, and are based on the rate at 11:00 a.m. Eastern time by Garban Intercapital plc and published on Reuters Page ISDAFIX is a registered service mark of ISDA. Source: Reuters Limited.

16. Moody's Aaa rates through December 6, 2001, are averages of Aaa utility and Aaa rates. As of December 7, 2001, these rates are averages of Aaa industrial bonds and Aaa rates.

17. Bond Buyer Index, general obligation, 20 years to maturity, mixed quality; The Bond Buyer Index is a registered service mark of The Bond Buyer, Inc.

18. Contract interest rates on commitments for fixed-rate first mortgages. Source: Market Survey(R) data provided by Freddie Mac.

Note: Weekly and monthly figures on this release, as well as annual figures available on the Board's historical H.15 web site (see below), are averages of business days unless otherwise noted.

Current and historical H.15 data are available on the Federal Reserve Board's web site (www.federalreserve.gov/). For information about individual copies or subscriptions, contact the Board's Public Information Office at (202) 452-3800.

Publications Services at the Federal Reserve Board (phone 202-452-3244, fax 202-782-8872, electronic access to current and historical data, call STAT-USA at 1-800-782-8872)

Description of the Treasury Nominal and Inflation-Indexed Constant Maturity

Yields on Treasury nominal securities at "constant maturity" are interpolated by the daily yield curve for non-inflation-indexed Treasury securities. This constant maturity yield on a security to its time to maturity, is based on the closing market bid for actively traded Treasury securities in the over-the-counter market. These market bid yields are calculated from composites of quotations obtained by the Federal Reserve Bank of New York. Constant maturity yield values are read from the yield curve at fixed maturities, currently 5, 7, 10, and 20 years. This method provides a yield for a security, for example, even if no outstanding security has exactly 10 years remaining to maturity. Similarly, yields on inflation-indexed securities at "constant maturity" are interpolated from the daily yield curve for Treasury inflation protected securities in the over-the-counter market. Inflation-indexed constant maturity yields are read from this yield curve at fixed maturities, currently 5, 7, 10, and 20 years.

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Last update: January 7, 2009

EXHIBITS

W-02113A-07-0551

Part 1 of 2

BARCODE #0000092584

To review Part 2 please see:

BARCODE #0000093082